

# ZF MGCAWU DISTRICT MUNICIPALITY



**2018 / 2019**

[These financial statements have not been audited]

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2019**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

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**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**GENERAL INFORMATION**

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**EXECUTIVE MAYOR**

J.J.J. Olyn

**SPEAKER**

M. Moalosi

**MEMBERS OF THE MAYORAL COMMITTEE**

Executive Mayor: J.J.J. Olyn

Councillors: P.M. Mgcera  
M. Bosman

**GRADING OF THE LOCAL AUTHORITY**

Grade 3

**AUDITORS**

External: Auditor General: Kimberley  
Internal: ZFM DM Internal Audit Unit

**PRIMARY BANKER**

ABSA

**REGISTERED OFFICE**

c/o Upington 26 Avenue & Dr Nelson Mandela Drive  
Upington  
8801

Private Bag X6039  
Upington  
8800

Telephone: (054) 337 2800  
Fax: (054) 337 2888

E-Mail: [admin@zfm-dm.gov.za](mailto:admin@zfm-dm.gov.za)  
Website: [www.zfm-dm.co.za](http://www.zfm-dm.co.za)

**ACTING MUNICIPAL MANAGER**

Mr. G. Lategan

**CHIEF FINANCIAL OFFICER**

Mr. P. Beukes

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**GENERAL INFORMATION (continued)**

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**REVIEW OF FINANCIAL STATEMENTS**

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 133, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2019.



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**Mr. G. LATEGAN**  
**ACTING MUNICIPAL MANAGER**  
**30 August 2019**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**MEMBERS OF COUNCIL**

NAME	POSITION	PARTY	PERIOD
A. Vosloo	Mayor	ANC	Resigned: 15/05/2019
J.J.J. Olyn	Mayor	ANC	Commencement: 30/05/2019
M.L. Moalosi	Speaker	ANC	Commencement: 07/08/2016
G.H. Mothibi	Mayoral Committee	ANC	Deceased: 08/10/2018
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 29/11/2018
J.J.J. Olyn	Mayoral Committee	ANC	Resigned: 29/05/2019
M Mashilala	Mayoral Committee	ANC	Resigned: 16/02/2019
M. Bosman	Mayoral Committee	ANC	Commencement: 07/08/2016
J. Lodewyk	Direct Elected Councillor	ANC	Commencement: 02/02/2017
A. de Bruin	Direct Elected Councillor	COPE	Commencement: 01/06/2014
F.L. Witbooi	Direct Elected Councillor	DA	Commencement: 07/08/2016
M.H.B. Van Zyl	Direct Elected Councillor	DA	Commencement: 23/03/2017
S. Esau	Councillor	ANC	Commencement: 07/08/2016
W.D Klim	Councillor	ANC	Commencement: 07/08/2016
B.L.B. Bosman	Councillor	ANC	Commencement: 07/08/2016
S. Dubeni	Councillor	ANC	Commencement: 07/08/2016
PSJ. Isaacs	Councillor	ANC	Resigned: 10/05/2019
B. Bock	Councillor	ANC	Commencement: 03/06/2011
N. Prins	Councillor	KCF	Commencement: 30/05/2019
M. Basson	Councillor	DA	Commencement: 07/08/2016
J. Assegaai	Councillor	DA	Commencement: 03/06/2011
M. Mabilo	Councillor	TCF	Commencement: 03/06/2011
A.R. Davids	Councillor	STC	Commencement: 01/08/2018
H. Ross	Councillor	EFF	Commencement: 30/08/2018

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 42134 dated 21/12/2018. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



**Mr. G. LATEGAN**  
**ACTING MUNICIPAL MANAGER**  
**30 August 2019**

**ZF MGCWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**FOREWORD**

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It is my pleasure to present the 2018/2019 Annual Financial Statements of the ZF Mgcawu District Municipality. This year, 2019 marked the sixth National and Provincial Elections, similarly, this year also marks the 25th year of our democracy and what a delightful way it is of marking the anniversary of our young democracy.

The Northern Cape has been dubbed: "A Modern, Growing and Successful Province by the newly elected Premier. The Northern Cape is a Province that gives hope to the hopeless in a very practical way.

In the preamble of the Constitution, it states that the Constitution of the Republic of South Africa is adopted to "improve the quality of life of all citizens and free the potential of each person." For us to ensure that this constitutional obligation is implemented in practice, we must assist the communities within the ZF Mgcawu District so that they can have a good quality of life. One of the primary objectives of the District Municipality is to assist its local municipalities and we do this by ensuring that the District Municipality remains a centre of excellence in providing quality basic services through support to local municipalities.


The challenge being faced by the ZF Mgcawu District Municipality is the trend of shrinking government income and the fact that our disadvantage as the Northern Cape is that we are the biggest Province with the least population and this hugely affects the allocations we receive both on Provincial and Local Government level.

It is always a pleasure to know that in the midst of all our challenges we still managed to obtain our 6th consecutive Clean Audit as a District Municipality for the 2017/2018 financial year. However, I need to also acknowledge that a clean audit brings with it, its own set of challenges, which include but are not limited to the fact that a clean audit does not indicate prosperity and wealth, meaning we do not get more money based on the fact that we received a clean audit.

We have proven that with a sterling record of good governance, sound financial management, a stable leadership structure and a well-functioning Council and Administration a lot can be achieved. We have been able to consistently achieve clean audits, despite the many challenges being faced.

I want to thank Council for actively playing their oversight role, this has led to a stable leadership that is committed to a strong control environment and effective governance.

I hereby wish to thank the Council, MPAC, Audit & Risk Committee, Senior Management and staff for their proactive approach to timeously address audit findings and dealing with emerging risks and also for their continued commitment during the year towards ensuring that we meet the set targets for the year.



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**CLRR J.J.J. OLYN**  
**EXECUTIVE MAYOR**  
**30 August 2019**

**ZF MGCWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of ZF Mgcawu District Municipality ending 30 June 2019.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2018/19 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2019 indicates an increase in Non-current Assets, an increase in Current Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Non-Current Assets is primarily as a result of the increase in the Property, Plant and Equipment. The increase in Current Assets is primarily as a result of the increase in Cash and Cash Equivalents.

The decrease in Non-Current Liabilities is primarily as a result of the decrease in the Employee Benefit Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions and the decrease in Unspent Conditional Grants and Receipts.

**2. MSCOA IMPLEMENTATION PLAN**

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the District Municipality.

**Financial Statement Ratios:**

INDICATOR	2019	2018
Surplus / (Deficit) before Appropriations	12 620 186	100 042
Surplus / (Deficit) at the end of the Year	(20 355 090)	(32 975 276)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	65.02%	70.82%
Remuneration of Councillors	5.35%	5.64%
Depreciation and Amortisation	1.21%	0.96%
Impairment Losses	0.53%	0.14%
Interest and Rent on Land	0.13%	0.00%
Contracted Services	9.13%	6.22%
Inventory Consumed	0.43%	0.42%
Transfers and Subsidies Paid	1.21%	0.20%
Operating Leases	1.21%	0.87%
Operational Costs	15.72%	14.71%
Loss on Disposal of Capital Assets	0.07%	0.03%

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**3. OPERATING RESULTS**

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

**4. FINANCING OF CAPITAL EXPENDITURE**

The expenditure on Assets during the year amounted to R1 883 700 (2017/18: R78 725). Full details of Assets are disclosed in Notes 6, 7 and Appendices "B and C" to the Annual Financial Statements.

The capital expenditure of R1 883 700 was financed as follows:

DETAILS	Actual 2018/19 R	Actual 2017/18 R	Percentage Variance %	Budgeted 2018/19 R	Variance actual/ budgeted %
Finance Leases	783 000	-	100.00	-	100.00
Grants and Subsidies	494 126	-	100.00	-	100.00
Own Funds (Accumulated Surplus)	606 575	78 725	670.49	2 051 770	(70.44)
	1 883 700	78 725	2 292.75	2 051 770	(8.19)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2019 %	2018 %
Finance Leases	41.57%	-
Grants and Subsidies	26.23%	-
Own Funds (Accumulated Surplus)	32.20%	100.00%
	100.00%	100.00%

**5. RECONCILIATION OF BUDGET TO ACTUAL**

**5.1 Operating Budget:**

DETAILS	2019 R	2018 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(873 663)	(6 183 005)
Revenue variances	1 771 803	1 933 243
Expenditure variances:		
Employee Related Costs	9 095 813	1 211 690
Remuneration of Councillors	8 746	135
Depreciation and Amortisation	58 303	53 648
Impairment Losses	208	3 711
Interest and Rent on Land	142	-
Contracted Services	30 778	58 633
Inventory Consumed	180 611	60 105
Transfers and Subsidies Paid	13 454	110 593
Operating Leases	576 907	642 425
Operational Costs	1 755 995	2 208 621
Loss on Disposal of Capital Assets	1 089	241
Actual surplus before appropriations	12 620 186	100 042



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

DETAILS	2019	2018
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(873 663)	(6 183 005)
Executive and Council	924 530	705 707
Finance and Administration (incl Bad Debt)	9 468 952	2 640 484
Internal Audit	1 083 391	556 687
Public Safety	218 391	39 915
Health	197	128 393
Planning and Development	1 527 612	1 891 898
Other	26 950	20 287
Add: Gains and Losses	243 826	299 676
Actual surplus before appropriations	12 620 186	100 042

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

**5.2 Capital Budget:**

DETAILS	Actual 2018/19 R	Actual 2017/18 R	Variance actual 2016/17 R	Budgeted 2018/19 R	Variance actual/ budgeted R
Executive and Council	638 215	-	638 215	700 000	(61 785)
Finance and Administration	1 141 360	51 657	1 089 703	1 151 770	(10 410)
Health	11 300	27 068	(15 768)	15 000	(3 700)
Planning and Development	92 825	-	92 825	185 000	(92 175)
	1 883 700	78 725	1 804 975	2 051 770	(168 070)

Details of the results per segmental classification of capital expenditure are included in Appendix "C".

**2019**  
**R**

**2018**  
**R**

**6. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2019 amounted to R20 355 090 (30 June 2018: R32 975 276) and is made up as follows:

Accumulated Surplus	(20 355 090)	(32 975 276)
	<b>(20 355 090)</b>	<b>(32 975 276)</b>

Refer to Note 14 and the Statement of Change in Net Assets for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

	2019 R	2018 R
<b>7. LONG-TERM LIABILITIES</b>		
The outstanding amount of Long-term Liabilities as at 30 June 2019 was R421 572 (30 June 2018: R0) and is made up as follows:		
Finance Lease Liability	375 902	-
	<b>421 572</b>	<b>-</b>

Loans to the amount of R783 000 (2017/18: R0) were taken up during the financial year to enable the District Municipality to finance part of its capital requirements for the year.  
Refer to Note 12 and Appendix "A" for more detail.

**8. EMPLOYEE BENEFIT LIABILITIES**

Employee Benefit Liabilities amounted R29 649 297 as at 30 June 2019 (30 June 2018: R34 805 970) and is made up as follows:

Post-retirement Health Care Benefits Liability	Note 13	23 462 716	31 433 520
Long Service Awards Liability	Note 13	6 186 580	3 372 450
		<b>29 649 297</b>	<b>34 805 970</b>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the District Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 13 for more detail.

**9. CURRENT LIABILITIES**

Current Liabilities amounted R14 288 377 as at 30 June 2019 (30 June 2018: R20 749 450) and is made up as follows:

Provisions	Note 9	2 520 113	2 655 848
Payables from Exchange Transactions	Note 10	11 064 255	13 610 211
Unspent Conditional Grants and Receipts	Note 11	462 289	4 483 392
Current Portion of Long-term Liabilities	Note 12	241 720	241 720
		<b>14 288 377</b>	<b>20 991 171</b>

Current Liabilities are those liabilities of the District Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the District Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

**ZF MGCWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**10. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment was R21 754 613 as at 30 June 2019 (30 June 2018: R21 035 301).  
Refer to Note 6, and Appendices B and C for more detail.

**11. INTANGIBLE ASSETS**

The net value of Intangible Assets were R397 161 as at 30 June 2019 (30 June 2018: R161 134).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the District Municipality in order to be able to fulfil its duties as far as service delivery is concerned.  
Refer to Note 7 and Appendix "B" for more detail.

**12. LONG-TERM RECEIVABLES**

Long-term Receivables of R21 679 at 30 June 2019 (30 June 2018: R31 495) is made up as follows:

		2019 R	2018 R
Finance Lease Receivable	Note 8	16 955	17 904
Staff Related Long Term Receivables	Note 8	20 286	104 576
Employee PAYE Debtors		-	53 946
Performance Bonus Debtors		6 860	34 303
Maternity Leave Debtor		10 524	10 523
Acting Allowance Debtors		2 902	5 804
		<b>37 241</b>	<b>122 480</b>
Less: Short-term portion included in Current Assets	Note 8	(15 562)	(90 986)
		<b>21 679</b>	<b>31 495</b>

The decrease in the amount for Long-term Receivables is due to recovery of outstanding debtors during 2018/19 financial year.  
Refer to Note 8 for more detail.

**13. CURRENT ASSETS**

Current Assets amounted R1 830 703 as at 30 June 2019 (30 June 2018: R1 352 214) and is made up as follows:

Receivables from Exchange Transactions	Note 2	310 383	253 627
VAT Receivable	Note 3	228 127	370 809
Cash and Cash Equivalents	Note 4	1 276 631	636 793
Current Portion of Long-term Receivables	Note 5	15 562	90 986
		<b>1 830 703</b>	<b>1 352 214</b>

Refer to the indicated Notes for more detail.

**14. INTER-GOVERNMENTAL GRANTS**

The District Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.  
Refer to Notes 11 and 15, and Appendix "F" for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2019**

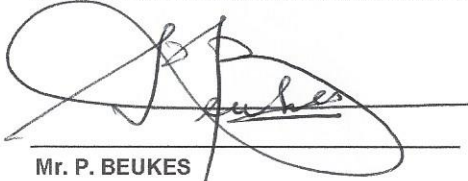
**REPORT OF THE CHIEF FINANCIAL OFFICER**

**15. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

**16. EXPRESSION OF APPRECIATION**

We are grateful to the Executive Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

A handwritten signature in black ink, appearing to read 'P. Beukes', is written over two horizontal lines.

**Mr. P. BEUKES**  
**CHIEF FINANCIAL OFFICER**  
**30 August 2019**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

		Actual	
	Note	2019	2018
		R	Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1 830 703</b>	<b>1 352 214</b>
Receivables from Exchange Transactions	2	310 383	253 627
VAT Receivable	3	228 127	370 809
Cash and Cash Equivalents	4	1 276 631	636 793
Current Portion of Long-term Receivables	5	15 562	90 986
<b>Non-Current Assets</b>		<b>22 173 453</b>	<b>21 227 930</b>
Property, Plant and Equipment	6	21 754 613	21 035 301
Intangible Assets	7	397 161	161 134
Long-term Receivables	8	21 679	31 495
<b>Total Assets</b>		<b>24 004 156</b>	<b>22 580 144</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>14 288 377</b>	<b>20 749 450</b>
Provisions	9	2 520 113	2 655 848
Payables from Exchange Transactions	10	11 064 255	13 610 211
Unspent Conditional Grants and Receipts	11	462 289	4 483 392
Current Portion of Long-term Liabilities	12	241 720	-
<b>Non-Current Liabilities</b>		<b>30 070 869</b>	<b>34 805 970</b>
Long-term Liabilities	12	421 572	-
Employee Benefit Liabilities	13	29 649 297	34 805 970
<b>Total Liabilities</b>		<b>44 359 246</b>	<b>55 555 420</b>
<b>Total Assets and Liabilities</b>		<b>(20 355 090)</b>	<b>(32 975 276)</b>
<b>NET ASSETS</b>		<b>(20 355 090)</b>	<b>(32 975 276)</b>
Accumulated Surplus / (Deficit)	14	(20 355 090)	(32 975 276)
<b>Total Net Assets</b>		<b>(20 355 090)</b>	<b>(32 975 276)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

		Actual	
	Note	2019	2018
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Transfers and Subsidies	15	79 797 677	64 786 497
Impairment Gains	22	242 529	295 545
<b>Revenue from Exchange Transactions</b>			
Rental from Fixed Assets	16	6 928	7 119
Interest and Rent on Land Earned	17	669 634	607 988
Operational Revenue	18	591 142	515 874
Gains on Disposal of Capital Assets	29	-	180
<b>Total Revenue</b>		<b>81 307 910</b>	<b>66 213 203</b>
<b>EXPENDITURE</b>			
Employee Related Costs	19	44 657 964	46 823 972
Remuneration of Councillors	20	3 676 528	3 728 041
Depreciation and Amortisation	21	834 437	632 550
Impairment Losses	22	361 792	91 289
Interest and Rent on Land	23	90 858	-
Contracted Services	24	6 268 813	4 112 288
Inventory Consumed	25	293 339	274 715
Transfers and Subsidies Paid	26	830 046	131 545
Operating Leases	27	828 093	577 575
Operational Costs	28	10 796 943	9 724 429
Loss on Disposal of Capital Assets	29	48 911	16 759
<b>Total Expenditure</b>		<b>68 687 724</b>	<b>66 113 162</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>12 620 186</b>	<b>100 042</b>

Refer to Budget Statement for explanation of budget variances

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

Description	Share Premium	Total Reserves and Funds	Accumulated Surplus	Total Net Assets
	R	R	R	R
<b>2018</b>				
Balance at 30 June 2017	-	-	(32 270 705)	(32 270 705)
Correction of Error (Note 31)		-	(804 613)	(804 613)
<b>Restated Balance at 30 June 2017</b>	-	-	<b>(33 075 318)</b>	<b>(33 075 318)</b>
Published Surplus / (Deficit) for the year		-	(607 713)	(607 713)
Correction of Error (Note 31)	-	-	707 755	707 755
<b>Restated Balance at 30 June 2018</b>	-	-	<b>(32 975 276)</b>	<b>(32 975 276)</b>
<b>2019</b>				
Surplus / (Deficit) for the year		-	12 620 186	12 620 186
<b>Balance at 30 June 2019</b>	-	-	<b>(20 355 090)</b>	<b>(20 355 090)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

		Actual	
	Note	2019 R	2018 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfers and Subsidies	15	75 776 574	62 646 618
Rental from Fixed Assets	16	6 928	7 119
Interest and Rent on Land Earned	17	669 634	607 988
Other Receipts		653 375	742 938
<b>Payments</b>			
Employee Related Costs		(49 929 313)	(46 493 710)
Remuneration of Councillors	20	(3 676 528)	(3 728 041)
Interest and Rent on Land Paid	23	(90 858)	-
Suppliers Paid		(9 936 200)	(3 608 350)
Other Payments		(11 602 378)	(9 910 178)
VAT Receivable / Payable		-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1 871 233</b>	<b>264 384</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	6	(1 537 426)	(78 725)
Purchase of Intangible Assets	7	(346 275)	-
Proceeds on Disposal of Property, Plant and Equipment	29	45 014	24 640
Proceeds on Disposal of Intangible Assets		-	-
Decrease / (Increase) in Long-term Receivables		(10 332)	137 627
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1 849 018)</b>	<b>83 541</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings		783 000	-
Repayment of Borrowings		(165 377)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>617 623</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>639 838</b>	<b>347 925</b>
Cash and Cash Equivalents at Beginning of Period		636 793	288 868
Cash and Cash Equivalents at End of Period	4	1 276 631	636 793



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>												
<b>Current Assets</b>												
Receivables from Exchange Transactions	500 000	152 424	652 424	(160 407)	492 017	-	492 017	310 383	-	(181 634)	63.08	62.08
VAT Receivable	-	-	-	-	-	-	-	228 127	-	228 127	0.00	0.00
Cash and Cash Equivalents	3 500 000	(2 855 000)	645 000	631 629	1 276 629	(700 000)	576 629	1 276 631	-	700 002	221.40	36.48
Current Portion of Long-term Receivables	170 000	(149 209)	20 791	10 036	30 827	-	30 827	15 562	-	(15 265)	50.48	9.15
		-	-	-	-	-	-	-	-	-	-	-
<b>Non-Current Assets</b>												
Property, Plant and Equipment	23 500 000	(3 051 490)	20 448 510	1 675 602	22 124 112	700 000	22 824 112	21 754 613	-	(1 069 499)	95.31	92.57
Intangible Assets	613 200	(90 166)	523 034	(25 121)	497 913	-	497 913	397 161	-	(100 752)	79.77	64.77
Long-term Receivables	100 000	(89 296)	10 704	20 791	31 495	-	31 495	21 679	-	(9 816)	68.83	21.68
<b>Total Assets</b>	28 383 200	(6 082 736)	22 300 464	2 152 529	24 452 993	-	24 452 993	24 004 156	-	(448 837)	98.16	84.57
<b>Current Liabilities</b>												
Provisions	2 500 000	155 848	2 655 848	(2 218 852)	436 996	-	436 996	2 520 113	-	2 083 117	576.69	100.80
Payables from Exchange Transactions	16 600 000	1 440 938	18 040 938	(2 206 118)	15 834 820	-	15 834 820	11 064 255	-	(4 770 565)	69.87	66.65
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	462 289	-	462 289	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	241 720	241 720	-	241 720	241 720	-	0	100.00	0.00
<b>Non-Current Liabilities</b>												
Long-term Liabilities	-	-	-	375 902	375 902	-	375 902	421 572	-	45 670	112.15	0.00
Employee Benefit Liabilities	34 591 498	214 472	34 805 970	-	34 805 970	-	34 805 970	29 649 297	-	(5 156 673)	85.18	85.71
<b>Total Liabilities</b>	53 691 498	1 811 258	55 502 756	(3 807 348)	51 695 408	-	51 695 408	44 359 246	-	(7 336 162)	85.81	82.62
<b>Total Assets and Liabilities</b>	<b>(25 308 297)</b>	<b>(7 893 995)</b>	<b>(33 202 292)</b>	<b>5 959 877</b>	<b>(27 242 415)</b>	<b>-</b>	<b>(27 242 415)</b>	<b>(20 355 090)</b>	<b>-</b>	<b>6 887 325</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>												
Accumulated Surplus / (Deficit)	(25 308 297)	(7 893 995)	(33 202 292)	5 959 877	(27 242 415)	-	(27 242 415)	(20 355 090)	-	6 887 325	0.00	0.00
<b>Total Net Assets</b>	<b>(25 308 297)</b>	<b>(7 893 995)</b>	<b>(33 202 292)</b>	<b>5 959 877</b>	<b>(27 242 415)</b>	<b>-</b>	<b>(27 242 415)</b>	<b>(20 355 090)</b>	<b>-</b>	<b>6 887 325</b>	<b>0.00</b>	<b>0.00</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

**Receivables from Exchange Transactions:**

The budget amount includes the amount for VAT Receivable. Over budgeted for VAT Receivables due to non-VAT transactions incurred during the year.

**VAT Receivable:**

Budgeted amount included under Receivables from exchange transactions. Over budgeted for VAT Receivables due to non-VAT transactions incurred during the year.

**Cash and Cash Equivalents:**

The budget amount anticipated was under budgeted for.

**Current Portion of Long-term Receivables:**

Not all outstanding debtors could be recovered as budgeted for.

**Intangible Assets:**

Out dated intangible assets have been written off.

**Long-term Receivables:**

Current Portion of Long-term Receivables budgeted for under Current Portion of Long-term Receivables. Therefore over budgeted for.

**Provisions:**

Only budgeted for Leave Accrual. 'Budgeted amount of short-term portion of PEMA and LSA included under Non-current Employee Benefit Liabilities.

**Payables from Exchange Transactions:**

The variance is due to cash flow problems experienced during the financial year.

**Unspent Conditional Grants and Receipts:**

Budgeted for under Payables from exchange Transactions as NT Budget template does not make provision for a separate line item for unspent grants.

**Long-term Liabilities:**

ZFM did not budget for Operating Lease Liabilities.

**Employee Benefit Liabilities:**

Over budgeted for Employee Benefit Liabilities due to PEMA actuarial gains and past-service cost (income) recognised.

**Accumulated Surplus / (Deficit):**

Combination of reasons stated above

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>												
<b>Revenue from Non-exchange Transactions</b>												
Transfers and Subsidies	73 048 000	2 178 107	75 226 107	3 000 000	78 226 107	-	78 226 107	79 797 677	-	1 571 570	102.01	109.24
Impairment Gains	-	-	-	-	-	-	-	242 529	-	242 529	0.00	0.00
<b>Revenue from Exchange Transactions</b>												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	6 928	-	(3 072)	69.28	69.28
Interest and Rent on Land Earned	800 000	-	800 000	-	800 000	-	800 000	669 634	-	(130 366)	83.70	83.70
Operational Revenue	250 000	250 000	500 000	-	500 000	-	500 000	591 142	-	91 142	118.23	236.46
Gains on Disposal of Capital Assets	500 000	(500 000)	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>74 608 000</b>	<b>1 928 107</b>	<b>76 536 107</b>	<b>3 000 000</b>	<b>79 536 107</b>	<b>-</b>	<b>79 536 107</b>	<b>81 307 910</b>	<b>-</b>	<b>1 771 803</b>	<b>102.23</b>	<b>108.98</b>
<b>Expenditure</b>												
Employee Related Costs	50 697 683	3 043 250	53 740 933	7 844	53 748 777	5 000	53 753 777	44 657 964	-	(9 095 813)	83.08	88.09
Remuneration of Councillors	4 124 145	-	4 124 145	(438 871)	3 685 274	-	3 685 274	3 676 528	-	(8 746)	99.76	89.15
Depreciation and Amortisation	506 530	126 210	632 740	-	632 740	260 000	892 740	834 437	-	(58 303)	93.47	164.74
Impairment Losses	50 000	-	50 000	-	50 000	312 000	362 000	361 792	-	(208)	99.94	723.58
Interest and Rent on Land	-	-	-	-	-	91 000	91 000	90 858	-	(142)	99.84	0.00
Contracted Services	2 611 352	2 068 699	4 680 051	1 619 540	6 299 591	-	6 299 591	6 268 813	-	(30 778)	99.51	240.06
Inventory Consumed	305 800	-	305 800	198 150	503 950	(30 000)	473 950	293 339	-	(180 611)	61.89	95.92
Transfers and Subsidies Paid	115 000	125 000	240 000	270 500	510 500	333 000	843 500	830 046	-	(13 454)	98.40	721.78
Operating Leases	1 095 000	401 500	1 496 500	(91 500)	1 405 000	-	1 405 000	828 093	-	(576 907)	58.94	75.62
Operational Costs	10 821 186	2 484 363	13 305 549	268 389	13 573 938	(1 021 000)	12 552 938	10 796 943	-	(1 755 995)	86.01	99.78
Loss on Disposal of Capital Assets	-	-	-	-	-	50 000	50 000	48 911	-	(1 089)	97.82	0.00
<b>Total Expenditure</b>	<b>70 326 696</b>	<b>8 249 022</b>	<b>78 575 718</b>	<b>1 834 052</b>	<b>80 409 770</b>	<b>-</b>	<b>80 409 770</b>	<b>68 687 724</b>	<b>-</b>	<b>(11 722 046)</b>	<b>85.42</b>	<b>97.67</b>
<b>Surplus/(Deficit for the Year)</b>	<b>4 281 304</b>	<b>(6 320 915)</b>	<b>(2 039 611)</b>	<b>1 165 948</b>	<b>(873 663)</b>	<b>-</b>	<b>(873 663)</b>	<b>12 620 186</b>	<b>-</b>	<b>13 493 849</b>	<b>-</b>	<b>294.77</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Impairment Gains

Budgeted for under Impairment losses. Impairment losses of 2017/18 were reversed during 2018/19 financial year and resulted in Impairment Gains.

Rental from Fixed Assets

Over budgeted for.

Interest and Rent on Land Earned

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Did not budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Was budgeted for under Loss on disposal of PPE.

Employee Related Costs:

Over budgeted for Employee Benefit Liabilities due to PEMA actuarial gains and past-service cost (income) recognised. Some vacant positions have not been filled during financial year due to cost containment measures.

Inventory Consumed:

Underspending is mainly due to cost containment measures and cash flow challenges.

Operating Leases:

Underspending is mainly due to cost containment measures and cash flow challenges.

Operational Costs:

Underspending is mainly due to cost containment measures and cash flow challenges.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>CAPITAL EXPENDITURE PER FUNCTION</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Executive and Council	820 000	(820 000)	-	-	-	700 000	700 000	638 215	-	(61 785)	91.17	77.83
Finance and Administration	1 495 000	(264 000)	1 231 000	(79 230)	1 151 770	-	1 151 770	1 141 360	-	(10 410)	99.10	76.35
Health	-	-	-	-	-	15 000	15 000	11 300	-	(3 700)	75.33	0.00
Planning and Development	589 600	(200 000)	389 600	(189 600)	200 000	(15 000)	185 000	92 825	-	(92 175)	50.18	15.74
<b>Total Capital Expenditure</b>	<b>2 904 600</b>	<b>(1 284 000)</b>	<b>1 620 600</b>	<b>(268 830)</b>	<b>1 351 770</b>	<b>700 000</b>	<b>2 051 770</b>	<b>1 883 700</b>	<b>-</b>	<b>(168 070)</b>	<b>91.81</b>	<b>64.85</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>												
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:												
Health: Underspending is mainly due to cost containment measures and cash flow challenges.												
Planning and Development: Underspending is mainly due to cost containment measures and cash flow challenges.												

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2019

Description	Original Budget	Budget Adjustments	Adjustment Budget	Second Budget Adjustments	Second Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>												
<b>Cash Flows from/(used in) Operating Activities</b>												
Transfers and Subsidies	73 048 000	500 000	73 548 000	(1 346 576)	72 201 424	-	72 201 424	75 776 574		3 575 150	104.95	103.74
Rental from Fixed Assets	-	-	-	-	-	-	-	6 928		6 928	0.00	0.00
Interest and Rent on Land Earned	800 000	(150 000)	650 000	16 871	666 871	-	666 871	669 634		2 763	100.41	83.70
Other Receipts	260 000	360 462	620 462	1 137 792	1 758 254	-	1 758 254	653 375		(1 104 879)	37.16	251.30
Employee Related Costs	(69 770 166)	8 849 036	(60 921 130)	(11 536 092)	(72 457 222)	-	(72 457 222)	(49 929 313)		22 527 909	68.91	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 676 528)		(3 676 528)	0.00	0.00
Interest and Rent on Land Paid	-	-	-	-	-	-	-	(90 858)		(90 858)	0.00	0.00
Suppliers Paid	-	-	-	(192 500)	(192 500)	-	(192 500)	(9 936 200)		(9 743 700)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(11 602 378)		(11 602 378)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>												
Purchase of Property, Plant and Equipment	(2 904 600)	1 284 000	(1 620 600)	(334 014)	(1 954 614)	(700 000)	(2 654 614)	(1 537 426)		1 117 188	57.92	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	(346 275)		(346 275)	0.00	0.00
Proceeds on Disposal of PPE	500 000	-	500 000	(500 000)	-	-	-	45 014		45 014	0.00	9.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	(10 332)		(10 332)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>												
Proceeds from Borrowings	-	-	-	783 000	783 000	-	783 000	783 000		-	100.00	0.00
Repayment of Borrowings	-	-	-	(165 377)	(165 377)	-	(165 377)	(165 377)		(0)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>1 933 234</b>	<b>10 843 498</b>	<b>12 776 732</b>	<b>(12 136 896)</b>	<b>639 836</b>	<b>(700 000)</b>	<b>(60 164)</b>	<b>639 838</b>	<b>-</b>	<b>700 002</b>	<b>0.00</b>	<b>33.10</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

**Rental from Fixed Assets:**

Not budgeted separately for under cash flow statement, included under the operational receipts.

**Other Receipts**

Other income includes Alternative sources of revenue that was budgeted but did not realised.

**Employee Related Costs**

Over budgeted for as Remuneration of Councillors, Suppliers paid and Other payments were budgeted for under Employee Related Cost.

**Remuneration of Councillors**

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Employee Related Cost above.

**Interest and Rent on Land Paid**

Did not budget for the finance lease interest on copiers.

**Suppliers Paid**

NT Budget Template not aligned to GRAP requirements - Suppliers Paid is included under Employee Related Costs.

**Other Payments**

NT Budget Template not aligned to GRAP requirements - Other Payments is included under Employee Related Costs.

**Purchase of Property, Plant and Equipment:**

Savings realised on capital items budgeted for and not procured - Budget rolled over to 2018/19 for procurement.

**Purchase of Intangible Assets:**

NT Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

**Proceeds on Disposal of Property, Plant and Equipment:**

ZFM did not budget for insurance claim refunds relating to Property, Plant and Equipment.

**Decrease / (Increase) in Long-term Receivables:**

It was not budgeted for the change in Long-term Receivables.

**Proceeds from Borrowings:**

Did not budget for the finance lease liabilities on copiers.

**Repayment of Borrowings:**

Did not budget for the finance lease liabilities on copiers.

**Cash and Cash Equivalents at End of the Year:**

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>												
<b>Current Assets</b>												
Receivables from Exchange Transactions	410 000	122 952	532 952	85 000	617 952	-	617 952	253 627	-	(364 325)	41.04	61.86
VAT Receivable	-	-	-	-	-	-	-	370 809	-	370 809	0.00	0.00
Cash and Cash Equivalents	6 350 000	(6 061 132)	288 868	250 000	538 868	-	538 868	636 793	-	97 925	118.17	10.03
Current Portion of Long-term Receivables	42 000	131 708	173 708	-	173 708	-	173 708	90 986	-	(82 723)	52.38	216.63
<b>Non-Current Assets</b>												
Property, Plant and Equipment	21 615 013	(22 528)	21 592 485	-	21 592 485	-	21 592 485	21 035 301	-	(557 184)	97.42	97.32
Intangible Assets	213 200	(14 206)	198 994	-	198 994	-	198 994	161 134	-	(37 860)	80.97	75.58
Long-term Receivables	145 000	(45 758)	99 242	-	99 242	-	99 242	31 495	-	(67 747)	31.74	21.72
<b>Total Assets</b>	28 775 213	(5 888 965)	22 886 248	335 000	23 221 248	-	23 221 248	22 580 144	-	(641 104)	97.24	78.47
<b>Current Liabilities</b>												
Provisions	-	2 563 410	2 563 410	-	2 563 410	-	2 563 410	2 655 848	-	92 438	103.61	0.00
Payables from Exchange Transactions	9 000 000	5 319 458	14 319 458	2 350 000	16 669 458	-	16 669 458	13 610 211	-	(3 059 247)	81.65	151.22
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	4 483 392	-	4 483 392	0.00	0.00
Current Portion of Long-term Liabilities	-	30 853	30 853	-	30 853	-	30 853	-	-	(30 853)	0.00	0.00
<b>Non-Current Liabilities</b>												
Employee Benefit Liabilities	15 000 000	19 591 498	34 591 498	-	34 591 498	-	34 591 498	34 805 970	-	214 472	100.62	232.04
<b>Total Liabilities</b>	24 000 000	27 505 219	51 505 219	2 350 000	53 855 219	-	53 855 219	55 555 420	-	1 700 201	103.16	231.48
<b>Total Assets and Liabilities</b>	<b>4 775 213</b>	<b>(33 394 183)</b>	<b>(28 618 970)</b>	<b>(2 015 000)</b>	<b>(30 633 970)</b>	<b>-</b>	<b>(30 633 970)</b>	<b>(32 975 276)</b>	<b>-</b>	<b>(2 341 306)</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>												
Accumulated Surplus / (Deficit)	4 775 213	(33 394 183)	(28 618 970)	(2 015 000)	(30 633 970)	-	(30 633 970)	(32 975 276)	-	(2 341 306)	0.00	0.00
<b>Total Net Assets</b>	<b>4 775 213</b>	<b>(33 394 183)</b>	<b>(28 618 970)</b>	<b>(2 015 000)</b>	<b>(30 633 970)</b>	<b>-</b>	<b>(30 633 970)</b>	<b>(32 975 276)</b>	<b>-</b>	<b>(2 341 306)</b>	<b>0.00</b>	<b>0.00</b>



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The budget amount includes the amount for VAT receivable and debtors which are included under UIF expenditure and still under investigation by the disciplinary board.

VAT Receivable:

Budgeted amount included under Receivables from exchange transactions

Cash and Cash Equivalents:

The budget amount anticipated was under budgeted for.

Current Portion of Long-term Receivables:

The budget amount anticipated was over budgeted for.

Intangible Assets:

Out dated intangible assets has been written off.

Long-term Receivables:

Current Portion of Long-term Receivables budgeted for under Long-term Receivables. Therefore over budgeted for.

Payables from Exchange Transactions:

Over budgeted for Payables from Exchange Transactions due to cost containment.

Unspent Conditional Grants and Receipts:

Budgeted for under Payables from exchange Transactions as the budget returns does not make provision for a separate line item for unspent grants.

Current Portion of Long-term Liabilities:

Loans are settled and not budgeted for.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>												
<b>Revenue from Non-exchange Transactions</b>												
Transfers and Subsidies	61 530 000	(2 200 000)	59 330 000	3 470 960	62 800 960	-	62 800 960	64 786 497	-	1 985 537	103.16	105.29
Impairment Gains	-	-	-	-	-	-	-	295 545	-	295 545	0.00	0.00
<b>Revenue from Exchange Transactions</b>												
Rental from Fixed Assets	10 000	-	10 000	(3 000)	7 000	-	7 000	7 119	-	119	101.71	71.19
Interest and Rent on Land Earned	765 000	(8 000)	757 000	(150 000)	607 000	-	607 000	607 988	-	988	100.16	79.48
Operational Revenue	3 310 000	(1 100 000)	2 210 000	(1 345 000)	865 000	-	865 000	515 874	-	(349 126)	59.64	15.59
Gains on Disposal of Capital Assets	200 000	(200 000)	-	-	-	-	-	180	-	180	0.00	0.09
<b>Total Revenue</b>	<b>65 815 000</b>	<b>(3 508 000)</b>	<b>62 307 000</b>	<b>1 972 960</b>	<b>64 279 960</b>	<b>-</b>	<b>64 279 960</b>	<b>66 213 203</b>	<b>-</b>	<b>1 933 243</b>	<b>103.01</b>	<b>100.61</b>
<b>Expenditure</b>												
Employee Related Costs	43 843 292	3 206 564	47 049 856	991 806	48 041 662	(6 000)	48 035 662	46 823 972	-	(1 211 690)	97.48	106.80
Remuneration of Councillors	3 809 986	-	3 809 986	(87 810)	3 722 176	6 000	3 728 176	3 728 041	-	(135)	100.00	97.85
Depreciation and Amortisation	641 345	(58 520)	582 825	103 373	686 198	-	686 198	632 550	-	(53 648)	92.18	98.63
Impairment Losses	25 000	-	25 000	-	25 000	70 000	95 000	91 289	-	(3 711)	96.09	365.16
Contracted Services	2 853 474	35 399	2 888 873	482 048	3 370 921	800 000	4 170 921	4 112 288	-	(58 633)	98.59	144.12
Inventory Consumed	42 000	-	42 000	292 820	334 820	-	334 820	274 715	-	(60 105)	82.05	654.08
Transfers and Subsidies Paid	1 578 948	21 343	1 600 291	(1 358 153)	242 138	-	242 138	131 545	-	(110 593)	54.33	8.33
Operating Leases	879 566	200 000	1 079 566	140 434	1 220 000	-	1 220 000	577 575	-	(642 425)	47.34	65.67
Operational Costs	10 616 726	1 849 781	12 466 507	353 543	12 820 050	(887 000)	11 933 050	9 724 429	-	(2 208 621)	81.49	91.60
Loss on Disposal of Capital Assets	-	-	-	-	-	17 000	17 000	16 759	-	(241)	98.58	0.00
<b>Total Expenditure</b>	<b>64 290 337</b>	<b>5 254 567</b>	<b>69 544 904</b>	<b>918 061</b>	<b>70 462 965</b>	<b>-</b>	<b>70 462 965</b>	<b>66 113 162</b>	<b>-</b>	<b>(4 349 803)</b>	<b>93.83</b>	<b>102.84</b>
<b>Surplus/(Deficit for the Year)</b>	<b>1 524 663</b>	<b>(8 762 567)</b>	<b>(7 237 904)</b>	<b>1 054 899</b>	<b>(6 183 005)</b>	<b>-</b>	<b>(6 183 005)</b>	<b>100 042</b>	<b>-</b>	<b>6 283 047</b>	<b>-</b>	<b>6.56</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

**Impairment Gains:**

Impairment losses of 2016/17 were reversed during 2017/18 financial year and resulted in Impairment Gains.

**Operational Revenue:**

Other income were too optimistically budgeted for and include the Alternative sources of revenue which did not realised.

**Gains on Disposal of Capital Assets:**

Was budgeted for under Loss on disposal of PPE.

**Inventory Consumed:**

Underspending is mainly due to cost containment measures and cash flow challenges.

**Transfers and Subsidies Paid:**

Low spending due to cash flow challenges during the year.

**Operating Leases:**

Underspending is mainly due to cost containment measures and cash flow challenges.

**Operational Costs:**

Underspending is mainly due to cost containment measures and cash flow challenges.

**Loss on Disposal of Capital Assets:**

Over budgeted for Loss on Disposal of Property, Plant and Equipment.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorise d Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>												
Finance and Administration	1 138 000	(738 000)	400 000	(400 000)	-	52 000	52 000	51 657	-	(343)	99.34	4.54
Health	2 000	(2 000)	-	-	-	28 000	28 000	27 068	-	(932)	96.67	1 353.42
Planning and Development	340 000	-	340 000	-	340 000	(80 000)	260 000	-	-	(260 000)	0.00	0.00
<b>Total Capital Expenditure</b>	<b>1 480 000</b>	<b>(740 000)</b>	<b>740 000</b>	<b>(400 000)</b>	<b>340 000</b>	<b>-</b>	<b>340 000</b>	<b>78 725</b>	<b>-</b>	<b>(261 275)</b>	<b>23.15</b>	<b>5.32</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>												
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:												
Planning and Development: Underspending is mainly due to cost containment measures and cash flow challenges.												

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>												
<b>Cash Flows from/(used in) Operating Activities</b>												
Transfers and Subsidies	61 530 000	(2 200 000)	59 330 000	3 470 960	62 800 960	-	62 800 960	62 646 618	-	(154 342)	99.75	101.81
Rental from Fixed Assets	-	-	-	-	-	-	-	7 119	-	7 119	0.00	0.00
Interest and Rent on Land Earned	765 000	(36 790)	728 210	(128 000)	600 210	-	600 210	607 988	-	7 777	101.30	79.48
Other Receipts	3 320 000	(1 348 155)	1 971 845	(1 096 845)	875 000	-	875 000	742 938	-	(132 062)	84.91	22.38
Employee Related Costs	(59 122 091)	(2 527 204)	(61 649 295)	(2 202 472)	(63 851 767)	-	(63 851 767)	(46 493 710)	-	17 358 057	72.82	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 728 041)	-	(3 728 041)	0.00	0.00
Interest and Rent on Land Paid	(5 000)	-	(5 000)	5 000	-	-	-	-	-	-	0.00	0.00
Suppliers Paid	(4 505 421)	4 505 421	-	-	-	-	-	(3 608 350)	-	(3 608 350)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(9 910 178)	-	(9 910 178)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>												
Purchase of Property, Plant and Equipment	(1 530 000)	790 000	(740 000)	400 000	(340 000)	-	(340 000)	(78 725)	-	261 275	23.15	0.00
Proceeds on Disposal of Property, Plant and Equipment	200 000	(200 000)	-	-	-	-	-	24 640	-	24 640	0.00	12.32
Decrease / (Increase) in Long-term Receivables	-	131 658	131 658	-	131 658	-	131 658	137 627	-	5 969	104.53	0.00
<b>Cash Flows from/(used in) Financing Activities</b>												
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>652 488</b>	<b>(885 070)</b>	<b>(232 582)</b>	<b>448 643</b>	<b>216 061</b>	<b>-</b>	<b>216 061</b>	<b>347 925</b>	<b>-</b>	<b>131 864</b>	<b>161.03</b>	<b>53.32</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted for under cash flow statement.

Other Receipts:

Other income includes Alternative sources of revenue that was budgeted but did not realised.

Employee Related Costs:

Over budgeted for as Remuneration of Councillors, Suppliers paid and Other payments were budgeted for under Employee Related Cost.

Remuneration of Councillors:

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Suppliers Paid:

Budgeted for under Employee Related Cost

Other Payments:

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Underspending is mainly due to cost containment measures and cash flow challenges.

Proceeds on Disposal of Property, Plant and Equipment:

ZFM did not budget for insurance claim refunds relating to Property, Plant and Equipment.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Description	2018/19	2017/18
	R	R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>12 620 186</b>	<b>100 042</b>
<b>Revenue from Non-exchange Transactions</b>		
Transfers and Subsidies	(1 571 570)	(1 985 537)
Impairment Gains	(242 529)	(295 545)
<b>Revenue from Exchange Transactions</b>		
Rental from Fixed Assets	3 072	(119)
Interest and Rent on Land Earned	130 366	(988)
Operational Revenue	(91 142)	349 126
Gains on Disposal of Capital Assets	-	(180)
<b>Expenditure</b>		
Employee Related Costs	(9 095 813)	(1 211 690)
Remuneration of Councillors	(8 746)	(135)
Depreciation and Amortisation	(58 303)	(53 648)
Impairment Losses	(208)	(3 711)
Interest and Rent on Land Paid	(142)	-
Contracted Services	(30 778)	(58 633)
Inventory Consumed	(180 611)	(60 105)
Grants and Subsidies Paid	(13 454)	(110 593)
Operating Leases	(576 907)	(642 425)
Operational Costs	(1 755 995)	(2 208 621)
Loss on Disposal of Capital Assets	(1 089)	(241)
<b>Net surplus/deficit per approved budget</b>	<b>(873 663)</b>	<b>(6 183 005)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

**1.1 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

**1.2 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2018 and 30 June 2019 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the District Municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

**1.3 Critical Judgements, Estimations and Assumptions**

In the application of the District Municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the District Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1.3.1 Revenue Recognition**

Accounting Policy 7.2 on Revenue from Exchange Transactions and Accounting Policy 7.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**1.3.2 Impairment of Financial Assets**

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

**1.3.3 Useful lives of Property, Plant and Equipment and Intangible Assets**

As described in Accounting Policies 3.3, and 4.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

**1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories**

Accounting Policy N/A on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 6 and 7 to the Annual Financial Statements, if applicable.

**1.3.5 Defined Benefit Plan Liabilities**

As described in Accounting Policy 9.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**1.3.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

**1.3.7 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2019.

**1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- |            |  |
|------------|--|
| • GRAP 34  | Separate Financial Statements                |
| • GRAP 35  | Consolidated Financial Statements            |
| • GRAP 36  | Investments in Associates and Joint Ventures |
| • GRAP 37  | Joint Arrangements                           |
| • GRAP 38  | Disclosure of Interests in Other Entities    |
| • GRAP 110 | Living and Non-living Resources              |

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- |            |                       |
|------------|-----------------------|
| • GRAP 104 | Financial Instruments |
|------------|-----------------------|

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**2. ACCUMULATED SURPLUS**

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial Recognition**

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

**3.2 Subsequent Measurement**

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

**3.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Other</b>	
	Improvements	25 - 100		Bins and Containers	5
	<b>Community</b>			Furniture and Fittings	5 - 10
	Recreational Facilities	15 - 60		Office Equipment	3 - 7
	Security	5		Other items of Plant and Equipment	2 - 5
				Other Vehicles	5 - 10
				Specialised Plant and Equipment	10 - 15
				Specialist Vehicles	5 - 20
				Watercraft	15

### **3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

### **3.5 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **3.6 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

### **3.7 Derecognition**

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## **4. INTANGIBLE ASSETS**

### **4.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### **4.2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software Purchased	3 - 5

#### **4.3 Derecognition**

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

### **5. IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

#### **5.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

#### **5.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

## **6. FINANCIAL INSTRUMENTS**

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

### **Initial Recognition**

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques.
- These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### **6.1 Financial Assets – Classification**

The municipality has the following types of Financial Assets:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**6.2 Financial Liabilities – Classification**

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

*Bank Overdrafts* are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**6.3 Initial and Subsequent Measurement**

**6.3.1 Financial Assets:**

**Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

**Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

**6.3.2 Financial Liabilities:**

**Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

**Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**6.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

**6.4.1 Financial Assets at Amortised Cost**

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

#### **6.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### **6.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

### **7. REVENUE RECOGNITION**

#### **7.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

#### **7.2 Revenue from Exchange Transactions**

##### **7.2.1 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

##### **7.2.2 Interest Earned**

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**7.2.3 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**7.3 Revenue from Non-exchange Transactions**

**7.3.1 Public Contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**7.3.2 Other Donations and Contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

**7.3.2 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

**7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

**8. PROVISIONS**

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.



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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

## **9. EMPLOYEE BENEFIT LIABILITIES**

### **9.1 Short-term Employee Benefits**

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The entity recognise the expected cost of bonus payments (13th cheques) when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made and the settlement will be within 12 months. Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

### **9.2 Post-employment Benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

#### **9.2.1 Defined Contribution Plans**

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **9.2.2 Defined Benefit Plans**

##### **Post-retirement Health Care Benefits**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

**Defined Benefit Pension Plans**

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

**10. LEASES**

**10.1 The Municipality as Lessee**

**10.1.1 Operating Leases**

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**10.2 The Municipality as Lessor**

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

**11. VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

**12. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**13. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

**14. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

**15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

**16. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

**17. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**18. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

**19. BUDGET INFORMATION**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2018 to 30 June 2019.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019**

**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 30 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in Note 32 to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 31 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**21. TREATMENT OF SUPPORT FUNDS RECEIVED**

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, shared service fee, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**1. GENERAL INFORMATION**

ZF Mgcawu District Municipality (The District Municipality, formerly known as Siyanda District Municipality) is a local government institution in Northern Cape, Upington and has 5 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2018. The principal activities of the District Municipality are disclosed in the Annual Report.

**2. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2019</b>			
Service Debtors:	582 957	454 648	128 309
Merchandising, Jobbing and Contracts	582 957	454 648	128 309
Prepayments and Advances	182 074	-	182 074
Rent	106 903	-	106 903
Subscriptions	75 171	-	75 171
<b>Total Receivables from Exchange Transactions</b>	<b>765 031</b>	<b>454 648</b>	<b>310 383</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2018</b>			
Service Debtors:	597 693	469 912	127 781
Merchandising, Jobbing and Contracts	597 693	469 912	127 781
Prepayments and Advances	125 846	-	125 846
Rent	33 000	-	33 000
Subscriptions	92 846	-	92 846
<b>Total Receivables from Exchange Transactions</b>	<b>723 539</b>	<b>469 912</b>	<b>253 627</b>

The District Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the District Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and Receivables as well as the current payment ratios of the District Municipality's Receivables.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The District Municipality is in the process to follow legal actions on all outstanding debtors relating to continuous medical aid members.

	<b>2019 R</b>	<b>2018 R</b>
<b>2.1 Ageing of Receivables from Exchange Transactions</b>		
<b>Other Debtors: Ageing</b>		
<u>Current:</u>		
0 - 30 days	190 785	169 949
<u>Past Due:</u>		
31 - 60 Days	13 769	13 036
61 - 90 Days	18 850	21 460
91 - 120 Days	17 105	13 416
+ 120 Days	524 522	505 677
<b>Total</b>	<b>765 031</b>	<b>723 539</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
<b>As at 30 June 2019</b>				
<u>Current:</u>				
0 - 30 days	30 016	-	160 769	190 785
<u>Past Due:</u>				
31 - 60 Days	13 161	-	608	13 769
61 - 90 Days	18 242	-	608	18 850
+ 90 Days	16 498	-	608	17 105
+ 120 Days	454 648	-	69 874	524 522
Sub-total	532 565	-	232 466	765 031
Less: Provision for Impairment	454 648	-	-	454 648
<b>Total Trade Receivables by Customer Classification</b>	<b>77 917</b>	<b>-</b>	<b>232 466</b>	<b>310 383</b>

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
<b>As at 30 June 2018</b>				
<u>Current:</u>				
0 - 30 days	19 303	-	150 646	169 949
<u>Past Due:</u>				
31 - 60 Days	10 376	-	2 660	13 036
61 - 90 Days	21 460	-	-	21 460
+ 90 Days	13 416	-	-	13 416
+ 120 Days	400 594	2 765	102 318	505 677
Sub-total	465 149	2 765	255 624	723 539
Less: Provision for Impairment	400 594	-	69 318	469 912
<b>Total Trade Receivables by Customer Classification</b>	<b>64 555</b>	<b>2 765</b>	<b>186 306</b>	<b>253 627</b>

	2019 R	2018 R
<b>2.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	469 912	604 288
<i>All Consumer Debtors</i>	469 912	604 288
Impairment Losses recognised	79 834	89 472
<i>All Consumer Debtors</i>	79 834	89 472
Impairment Losses reversed	(95 098)	(223 848)
<i>All Consumer Debtors</i>	(13 214)	(223 848)
<i>Provision amount written off as uncollectable</i>	(81 884)	-
<b>Balance at end of year</b>	<b>454 648</b>	<b>469 912</b>

**2.4 Ageing of impaired Receivables from Exchange Transactions**

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	454 648	469 912
<b>Total</b>	<b>454 648</b>	<b>469 912</b>

An impairment loss of R454 648 was provided on 30 June 2019 due to the uncertainty of the recoverability of the outstanding debtors.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**2.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**3. VAT RECEIVABLE / PAYABLE**

VAT Receivable / (Payable)	<u>228 127</u>	<u>370 809</u>
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Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**4. CASH AND CASH EQUIVALENTS**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Current Investments	546	526
Bank Accounts	1 276 060	635 875
Cash and Cash Equivalents	26	392

<b>Total Bank, Cash and Cash Equivalents</b>	<u><b>1 276 631</b></u>	<u><b>636 793</b></u>
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For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**4.1 Current Investment Deposits**

Call Deposits	546	526
<b>Total Current Investment Deposits</b>	<u><b>546</b></u>	<u><b>526</b></u>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 7.9% per annum.

Deposits attributable to Deposit taking Institutions	546	526
KOF: ABSA Account 1045170264	<u>546</u>	<u>526</u>

<b>Total Deposits attributable to Commitments of the District Municipality</b>	<u><b>546</b></u>	<u><b>526</b></u>
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**KOF: ABSA Account 1045170264**

Cash book balance at beginning of year	526	513
Cash book balance at end of year	<u>546</u>	<u>526</u>

Bank statement balance at beginning of year	526	513
Bank statement balance at end of year	<u>546</u>	<u>526</u>

**4.2 Bank Accounts**

Cash in Bank	1 276 060	635 875
<b>Total Bank Accounts</b>	<u><b>1 276 060</b></u>	<u><b>635 875</b></u>

The District Municipality has the following bank accounts:

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>Primary Bank Account</b>		
<i>ABSA Bank Account 2240000035</i>		
Cash book balance at beginning of year	635 875	287 870
Cash book balance at end of year	<u>1 276 060</u>	<u>635 875</u>
Bank statement balance at beginning of year	635 875	287 870
Bank statement balance at end of year	<u>1 276 060</u>	<u>635 875</u>

The District Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**4.3 Cash and Cash Equivalents**

Cash Floats and Advances	26	392
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>26</b></u>	<u><b>392</b></u>

**Petty Cash Bank Account**

<i>ABSA Bank Account 9266723639</i>		
Cash book balance at beginning of year	392	485
Cash book balance at end of year	<u>26</u>	<u>392</u>
Bank statement balance at beginning of year	392	485
Bank statement balance at end of year	<u>26</u>	<u>392</u>

The District Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the District Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the District Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and financial institutions.

**5. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Finance Lease Receivable	3 600	3 600
Staff Related Long Term Receivables	11 962	87 386
Employee PAYE Debtors	-	53 946
Performance Bonus Debtors	6 860	27 443
Maternity Leave Debtors	2 200	3 095
Acting Allowance Debtors	2 902	2 902
<b>Total Current Portion of Long-term Receivables</b>	<u><b>15 562</b></u>	<u><b>90 986</b></u>



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**6 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2019**

**Reconciliation of Carrying Value**

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Other Assets	Total
	R	R	R	R				R	R
<b>Carrying values at 01 July 2018</b>	<b>17 976 000</b>	<b>863 520</b>	<b>18 839 520</b>	<b>593 549</b>	<b>347 210</b>	<b>27 887</b>	<b>1 227 134</b>	-	<b>21 035 301</b>
Cost	17 976 000	2 056 000	20 032 000	1 843 198	2 497 435	180 451	1 802 130	-	26 355 215
Accumulated Depreciation:	-	(1 192 480)	(1 192 480)	(1 249 649)	(2 150 225)	(152 565)	(574 996)	-	(5 319 914)
Acquisitions	-	-	-	494 268	48 177	795 000	199 980	-	1 537 426
Cost	-	-	-	-	48 177	12 000	-	-	60 177
Leased	-	-	-	-	-	783 000	-	-	783 000
Depreciation:	-	(82 240)	(82 240)	(251 906)	(45 249)	(243 133)	(123 211)	-	(745 740)
Cost	-	(82 240)	(82 240)	(251 906)	(45 249)	(3 013)	(123 211)	-	(505 620)
Leased	-	-	-	-	-	(240 120)	-	-	(240 120)
Carrying value of Disposals:	-	-	-	(23 028)	(48 211)	(1 136)	-	-	(72 374)
- Cost	-	-	-	(157 051)	(285 488)	(11 216)	-	-	(453 755)
- Accumulated Depreciation	-	-	-	134 023	237 278	10 080	-	-	381 381
<b>Carrying values at 30 June 2019</b>	<b>17 976 000</b>	<b>781 280</b>	<b>18 757 280</b>	<b>812 883</b>	<b>301 928</b>	<b>578 618</b>	<b>1 303 904</b>	-	<b>21 754 613</b>
Cost	17 976 000	2 056 000	20 032 000	2 180 415	2 260 124	964 235	2 002 110	-	27 438 885
Accumulated Depreciation:	-	(1 274 720)	(1 274 720)	(1 367 532)	(1 958 196)	(385 617)	(698 207)	-	(5 684 272)

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2018**

**Reconciliation of Carrying Value**

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Other Assets	Total
	R	R	R	R				R	R
<b>Carrying values at 01 July 2017</b>	<b>17 976 000</b>	<b>945 760</b>	<b>18 921 760</b>	<b>812 574</b>	<b>441 091</b>	<b>45 446</b>	<b>1 371 614</b>	-	<b>21 592 485</b>
Cost	17 976 000	2 056 000	20 032 000	1 902 258	2 525 955	181 051	1 802 130	-	26 443 395
Accumulated Depreciation:	-	(1 110 240)	(1 110 240)	(1 089 684)	(2 084 864)	(135 605)	(430 516)	-	(4 850 910)
Reclassification (Note 31)	-	-	-	4 107	(4 107)	-	-	-	-
Cost	-	-	-	25 605	(25 605)	-	-	-	-
Accumulated Depreciation:	-	-	-	(21 498)	21 498	-	-	-	-
Acquisitions	-	-	-	51 657	27 068	-	-	-	78 725
Depreciation:	-	(82 240)	(82 240)	(236 178)	(114 114)	(17 499)	(144 479)	-	(594 510)
Carrying value of Disposals:	-	-	-	(38 611)	(2 728)	(60)	-	-	(41 399)
- Cost	-	-	-	(136 322)	(29 983)	(600)	-	-	(166 905)
- Accumulated Depreciation	-	-	-	97 711	27 255	540	-	-	125 506
<b>Carrying values at 30 June 2018</b>	<b>17 976 000</b>	<b>863 520</b>	<b>18 839 520</b>	<b>593 549</b>	<b>347 210</b>	<b>27 887</b>	<b>1 227 134</b>	-	<b>21 035 301</b>
Cost	17 976 000	2 056 000	20 032 000	1 843 198	2 497 435	180 451	1 802 130	-	26 355 215
Accumulated Depreciation:	-	(1 192 480)	(1 192 480)	(1 249 649)	(2 150 225)	(152 565)	(574 996)	-	(5 319 914)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>6 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
At Carrying Amount:		
Furniture and Office Equipment	1 661	2 077
<b>Gross Carrying Amount of PPE fully depreciated and still in use</b>	<b>1 661</b>	<b>2 077</b>
<b>6.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation</b>		
Refer to Note 29 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.		
<b>6.3 Assets pledged as security</b>		
The Municipality did not pledge any of its assets as security, except for Leased Assets.		
<b>6.4 Impairment of Property, Plant and Equipment</b>		
No Property, Plant and Equipment were impaired from active use during the financial year.		
<b>6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2018/19:		
Administration	(226)	(89)
Asset Management Unit	(12)	-
Budget and treasury office	(181)	-
Council Administration	(1 094)	(61)
Council Services	(670)	(376)
Disaster Management	(22)	(602)
Engineering Services	(3 636)	23 004
Environmental Health	(3 815)	(115)
Financial Services	(2 446)	(487)
Housing Accreditation	(83)	(73)
Human Resources	(662)	(555)
Information Technology	(1 543)	(11 019)
Internal Audit	(1 627)	(1 410)
LED	(5)	(32)
Municipal Manager	(1 854)	(79)
Municipal Support Services	(362)	(1)
PIMMS	(11 876)	(4 124)
Property Services	(7 193)	(308)
Risk Management	-	(295)
Supply Chain Management	(7)	-
Tourism	(108)	(219)
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>(37 422)</b>	<b>3 158</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**6.6 Land and Buildings carried at Fair Value**

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

**6.7 Repairs and Maintenance**

Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 24.

**6.8 Compensation received for Losses**

Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Compensation received from insurers	45 014	17 527
Carrying value of lost assets	(2 532)	(6 649)
<b>Surplus / (Deficit) on Compensation received for Lost PPE</b>	<b>42 482</b>	<b>10 878</b>

**7 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

<b>397 161</b>	<b>161 134</b>
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The movement in Intangible Assets is reconciled as follows:

**30 June 2019**

**Carrying values at 01 July 2018**

	<b>Computer Software</b>	<b>Total</b>
Cost	161 134	161 134
Accumulated Amortisation	575 602	575 602
	(414 468)	(414 468)

Acquisitions:	346 275	346 275
Purchased	346 275	346 275

Amortisation:	(88 697)	(88 697)
Purchased	(88 697)	(88 697)

Carrying value of Disposals:	(21 551)	(21 551)
- Cost	(112 498)	(112 498)
- Accumulated Depreciation	90 947	90 947

**Carrying values at 30 June 2019**

Cost	397 161	397 161
Accumulated Amortisation	809 379	809 379
	(412 218)	(412 218)

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<b>30 June 2018</b>	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2017</b>	<b>198 994</b>	<b>198 994</b>
Cost	592 830	592 830
Accumulated Amortisation	(393 836)	(393 836)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(38 039)	(38 039)
Purchased	(38 039)	(38 039)
Carrying value of Disposals:	<b>180</b>	<b>180</b>
- Cost	(17 228)	(17 228)
- Accumulated Depreciation	17 408	17 408
<b>Carrying values at 30 June 2018</b>	<b>161 134</b>	<b>161 134</b>
Cost	575 602	575 602
Accumulated Amortisation	(414 468)	(414 468)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 21).

All of the District Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the District Municipality.

No restrictions apply to any of the Intangible Assets of the District Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

#### **8.1 Significant Intangible Assets**

The District Municipality's intangible assets only comprise of computer related software.

#### **8.2 Intangible Assets with Indefinite Useful Lives**

The District Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

#### **8.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the District Municipality at the reporting date.

#### **8.4 Change in Estimate - Useful Life of Intangible Assets reviewed**

The estimated useful lives of Intangible Assets were reviewed on but no changes were made by the District Municipality

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>8 LONG-TERM RECEIVABLES</b>		
<b>Gross Balances:</b>		
Finance Lease Receivable	16 955	55 235
Staff Related Long Term Receivables	20 286	214 676
Employee PAYE Debtors	-	164 046
Performance Bonus Debtors	6 860	34 303
Maternity Leave Debtors	10 524	10 523
Acting Allowance Debtors	2 902	5 804
	<b>37 241</b>	<b>269 912</b>
<b>Less: Provision for Impairment:</b>		
Finance Lease Receivable	-	(37 331)
Staff Related Long Term Receivables	-	(110 100)
Employee PAYE Debtors	-	(110 100)
	<b>-</b>	<b>(147 431)</b>
<b>Net Balances:</b>		
Finance Lease Receivable	16 955	17 904
Staff Related Long Term Receivables	20 286	104 576
Employee PAYE Debtors	-	53 946
Performance Bonus Debtors	6 860	34 303
Maternity Leave Debtors	10 524	10 523
Acting Allowance Debtors	2 902	5 804
<b>Total Long Term Receivables</b>	<b>37 241</b>	<b>122 480</b>
<b>Less: Current Portion transferred to Current Receivables:</b>		
Finance Lease Receivable	(3 600)	(3 600)
Staff Related Long Term Receivables	(11 962)	(87 386)
Employee PAYE Debtors	-	(53 946)
Performance Bonus Debtors	(6 860)	(27 443)
Maternity Leave Debtors	(2 200)	(3 095)
Acting Allowance Debtors	(2 902)	(2 902)
	<b>(15 562)</b>	<b>(90 986)</b>
<b>Non-Current Portion of Long Term Receivables</b>		
Finance Lease Receivable	13 355	14 304
Staff Related Long Term Receivables	8 323	17 191
<b>Non-Current Portion of Long Term Receivables</b>	<b>21 679</b>	<b>31 495</b>

**FINANCE LEASE RECEIVABLES**

Finance Lease Receivables relate to Housing Selling Scheme Loans:

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

**STAFF RELATED LONG TERM RECEIVABLES**

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of:

**i) Employee PAYE Debtors for Reimbursed Allowances**

During the preparation of the 2015/16 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not capture Reimbursed Travel Allowances on the employees and Councillors' IRP5 certificates for 2012 & 2013 tax assessments. The employees' tax and interest of R481 026 were charged by SARS which were paid by ZFM during 2015/16 financial year on behalf of the employees. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 January 2019.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ii) Performance Bonus Debtors**

Performance bonuses were paid outside the payroll system and was incorrectly loaded onto the payroll system resulted in an over payment of Performance Bonuses. ZFM will recover this amount from employees over a 3 year period with no interest, ending 30 September 2019.

**iii) Acting Allowance Debtors**

An Acting Allowance was incorrectly paid out to an employee. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 May 2020.

**iv) Maternity Leave Debtors**

An salary was incorrectly paid out to an employee which was on maternity leave. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 July 2022.

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

A provision for impairment of R0 (2018: R147 431) has been made as management have concerns over the recoverability of these assets.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**8.1 Leasing Arrangements**

The Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

**8.2 Amounts receivable under Finance Leases**

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019 R	2018 R	2019 R	2018 R
Within one year	3 600	7 286	3 600	7 286
In the second to fifth years, inclusive	14 400	29 145	14 400	29 145
Over five years	1 379	68 844	1 379	68 844
	<u>19 379</u>	<u>105 276</u>	<u>19 379</u>	<u>105 276</u>
Less: Unearned Finance Income	2 424	50 040	2 424	50 040
Present Value of Minimum Lease Payments Receivable	<u>16 955</u>	<u>55 235</u>	<u>16 955</u>	<u>55 235</u>
Provision for Uncollectable Lease Receivables	-	(37 331)	-	(37 331)
<b>Total Finance Lease Receivables</b>	<b><u>16 955</u></b>	<b><u>17 904</u></b>	<b><u>16 955</u></b>	<b><u>17 904</u></b>
			<b>2019 R</b>	<b>2018 R</b>
<b>Included in the Annual Financial Statements as:</b>				
Non-current Finance Lease Receivables			13 355	14 304
Current Finance Lease Receivables			3 600	3 600
<b>Total Finance Lease Receivables</b>			<b><u>16 955</u></b>	<b><u>17 904</u></b>

The interest rates inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2018: 5,00%) per annum.

Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>8.3 Ageing of Long-term Receivables</b>		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	37 241	269 912
Finance Lease Receivable	16 955	55 235
Staff Related Long Term Receivables	20 286	214 676
<b>Total</b>	<b>37 241</b>	<b>269 912</b>

As at 30 June Long-term Receivables of R37 241 (2018: R269 912) were past due of which R37 241 (2018: R269 912) were impaired. No terms for payment have been re-negotiated. The age analysis of these Provision for Impairment of Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	-	147 431
Finance Lease Receivable	-	37 331
Staff Related Long Term Receivables	-	110 100
<b>Total</b>	<b>-</b>	<b>147 431</b>

**8.4 Reconciliation of the Provision for Impairment**

Balance at beginning of year	147 431	217 311
Impairment Losses recognised	-	1 817
Finance Lease Receivable	-	1 817
Staff Related Long Term Receivables	-	-
Impairment Losses reversed	-	(71 696)
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	(71 696)
Amounts written off as uncollectable	(147 431)	(0)
Finance Lease Receivable	(37 331)	-
Staff Related Long Term Receivables	(110 100)	-
<b>Balance at end of year</b>	<b>-</b>	<b>147 431</b>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**9 PROVISIONS**

Performance Bonus	429 485	450 545
Current Portion of Employee Benefit Liabilities (See Note 13):	2 090 628	2 205 303
Post-retirement Medical Aid Benefits Liability	1 520 078	1 774 007
Long-term Service Liability	570 550	431 296
<b>Total Provisions</b>	<b>2 520 113</b>	<b>2 655 848</b>



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

The movement in provisions is reconciled as follows:

**Performance Bonus:**

	2019 R	2018 R
Opening Balance	450 545	473 897
Increases	429 485	450 545
Reductions	(450 545)	(473 897)
<b>Balance at end of year</b>	<b>429 485</b>	<b>450 545</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Current Portion of Defined Benefit Liabilities:**

	Medical Aid R	Long-term Service R
<b>30 June 2019</b>		
Opening Balance	1 774 007	431 296
Expenditure incurred	(1 854 508)	(441 544)
Contributions to provision	1 600 579	580 798
<b>Balance at end of year</b>	<b>1 520 078</b>	<b>570 550</b>

	Medical Aid R	Long-term Service R
<b>30 June 2018</b>		
Opening Balance	1 751 821	337 692
Expenditure incurred	(1 562 757)	(247 722)
Contributions to provision	1 584 943	341 326
<b>Balance at end of year</b>	<b>1 774 007</b>	<b>431 296</b>

**10 PAYABLES FROM EXCHANGE TRANSACTIONS**

	2019 R	2018 R
Advance Payments	454 731	195 034
Tsantsabane Local Municipality Support	195 034	195 034
LGSETA Skills Programmes and Learnerships	259 697	-
Annual Bonus	1 434 902	1 406 783
Leave Accrual	2 903 539	2 366 936
Other Payables: Salary Clearing and Control	1 186 248	923 813
Salary Control	84 557	88 015
Travel Control	17 179	8 476
Leave Control	46 120	46 120
UIF Control	59 344	59 239
Skills Control	73 936	69 468
Medical Aid Control	434 852	258 963
Unions Control	6 960	7 421
Employee Deductions FICS	463 300	386 110
Salary Related Payables	3 028 506	4 004 052
Compensation Commission (COID)	183 164	195 297
PAYE Deductions	1 347 725	1 343 890
Pension and Retirement Contributions	654 897	604 683
Standby	842 720	1 860 183
Trade Creditors	2 056 330	4 713 593
Auditor-General of South Africa	766 409	1 659 085
Payables and Accruals	1 289 920	3 054 508
<b>Total Payables</b>	<b>11 064 255</b>	<b>13 610 211</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**Advance Payments (Support Accounts)** are money received to render support services to Local Municipalities in the district. All expenditures are recorded in separate suspense accounts so that ZFM District Municipality can have more control over the costing of support services. Admin fees, actual travel costs, subsistence allowances and shared services fees are deducted from these suspense accounts.

**Annual Bonuses** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave** accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

## **11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

### **11.1 Conditional Grants from Government**

	<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
National Government	-	261 258
Provincial Government	462 289	4 222 134
<b>Total Conditional Grants and Receipts</b>	<b>462 289</b>	<b>4 483 392</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The Unspent Conditional Grants are cash backed by Cash and Cash Equivalents of R1 276 631 (Note 4), VAT Receivables of R228 127 (Note 3) and Receivable from Exchange Transactions of R310 383 (Note 2).

The Unspent Conditional Grants and Receipts are invested in call deposit accounts until utilised.

Refer to Note 15 for the reconciliation of Grants from Government Receipts. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

An amount of R2 200 144 was withheld by National Treasury during 2017/18 financial year due to an unspent portion of EPWP (R310 383) and RRAMS (R1 889 761) during 2016/17 financial year. Refer to the unspent portion in Note 15 below.

Refer to Appendix "F" for more detail on Conditional Grants.

## **12 LONG-TERM LIABILITIES**

Finance Lease Liability	375 902	-
Operating Lease Liability	45 670	-
Non-Current Portion of Long Term Liabilities	421 572	-
Plus: Current Portion transferred to Current Liabilities:-	241 720	-
Finance Lease Liability	241 720	-
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>663 292</b>	<b>-</b>

### **12.1 Finance Lease Liability**

#### **12.1.1 Summary of Arrangements**

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years. The effective interest rate on Finance Leases is 16.34%. Capitalised Lease Liabilities are secured over the items of copier machines leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**12.1.2 Obligations under Finance Leases:**

**The Municipality as Lessee:**

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under DBSA Loan is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019 R	2018 R	2019 R	2018 R
<b>Amounts payable under borrowings:</b>				
Within one year	341 144		341 144	-
In the second to fifth years, inclusive	426 431		426 431	-
Over five years	-	-	-	-
	<u>767 575</u>	<u>-</u>	<u>767 575</u>	<u>-</u>
Less: Future Finance Obligations	149 952	-	149 952	-
<b>Present Value of Minimum Lease Obligations</b>	<u><b>617 623</b></u>	<u><b>-</b></u>	<u><b>617 623</b></u>	<u><b>-</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(241 720)	-
<b>Borrowings due for settlement after 12 months (Non-current Portion)</b>			<u><b>375 902</b></u>	<u><b>-</b></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Machinery and Equipment

	2019 R	2018 R
Included in these classes are the following significant leases:		
(i) Copier Machines		
- Instalments are payable monthly in advance		
- Cost Price	R 783 000	R 0
- Accumulated Depreciation	R 195 750	R 0
- Net Carrying Amount	R 587 250	R 0
- Depreciation for the year	R 195 750	R 0
- Finance charge for the year	R 90 481	R 0
- Average period outstanding	27 months	-
- Average effective interest rate	19.4%	-
- Average monthly instalment	R 28 429	R 0

**12.2 Operating Leases**

Balance at beginning of year	-	30 853
Operating Lease payments effected	(465 979)	(354 917)
Operating Lease expenses recorded	511 648	324 064
<b>Total Operating Lease Liabilities</b>	<u><b>45 670</b></u>	<u><b>-</b></u>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**12.2.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years ending 31 January 2018, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases relate to Rental of Office space (Chrystal lagoon) with lease terms of 3 years ending 30 November 2021, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

	2019 R	2018 R
<b>12.2.2 Amounts payable under Operating Leases</b>		
At the Reporting Date the Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:		
<b>Buildings:</b>		
Up to 1 year	2 490 160	-
2 to 5 years	969 552	-
More than 5 years	1 520 608	-
	-	-
<b>Total Operating Lease Arrangements</b>	<b>2 490 160</b>	<b>-</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(465 979)	(354 917)
<b>Total Operating Lease Expenses</b>	<b>(465 979)</b>	<b>(354 917)</b>

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

**13 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	24 982 794	33 207 527
Long Service Awards Liability	6 757 130	3 803 746
<b>Total Employee Benefit Liabilities</b>	<b>31 739 925</b>	<b>37 011 273</b>
Less: Current Portion of Employee Benefit Liabilities	(2 090 628)	(2 205 303)
Post-retirement Health Care Benefits Liability	(1 520 078)	(1 774 007)
Long Service Awards Liability	(570 550)	(431 296)
<b>Non-current portion of Employee Benefit Liabilities</b>	<b>29 649 297</b>	<b>34 805 970</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
<b>13.1 Post-retirement Health Care Benefits Liability</b>		
Opening balance	33 207 527	33 272 682
Interest cost	3 062 653	3 076 218
Current service cost	945 161	872 290
Past service cost (Policy Amendments)	(2 538 520)	-
Actual employer benefit payments	(1 854 508)	(1 562 757)
Actuarial loss/ (gain) recognised in the year	(7 839 519)	(2 450 906)
Balance at end of Year	<u>24 982 794</u>	<u>33 207 527</u>
Transfer to Current Provisions	(1 520 078)	(1 774 007)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b><u>23 462 716</u></b>	<b><u>31 433 520</u></b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). Refer to Change in Accounting Policy Note 30

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

	<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	54	56
In-service Non-members (Employees)	47	45
Continuation Members (Retirees, widowers and orphans)	29	30
<b>Total Members</b>	<b><u>130</u></b>	<b><u>131</u></b>

The liability in respect of past service has been estimated as follows:

In-service Members	5 952 989	9 165 462
In-service Non-members	861 772	2 373 441
Continuation Members	18 168 033	21 668 624
<b>Total Liability</b>	<b><u>24 982 794</u></b>	<b><u>33 207 527</u></b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2019 is estimated to be R945 161, whereas the cost for the ensuing year is estimated to be R872 290 (30 June 2017: R850 877).

The Past-service Cost for the year ending 30 June 2019 is estimated to be R-2 538 520, whereas the cost for the ensuing year is estimated to be R0 (30 June 2017: R0).

The Interest Cost for the year ending 30 June 2019 is estimated to be R3 062 653, whereas the cost for the ensuing year is estimated to be R3 076 218 (30 June 2017: R2 949 572).

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	9.18%	9.47%
Health Care Cost Inflation Rate	6.68%	7.30%
Net Effective Discount Rate	2.34%	2.02%
Expected Rate of Salary Increase	6.50%	7.00%
Expected Retirement Age - Females	62	58
Expected Retirement Age - Males	62	58

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Opening balance	33 207 527	33 272 682
Current service cost	945 161	872 290
Past service cost (Policy Amendments)	(2 538 520)	-
Interest cost	3 062 653	3 076 218
Actual employer benefit payments	(1 854 508)	(1 562 757)
Actuarial loss/ (gain) recognised in the year	(7 839 519)	(2 450 906)
<b>Total Recognised Benefit Liability</b>	<b>24 982 794</b>	<b>33 207 527</b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	24 982 794	33 207 527
Fair value of plan assets	-	-
	<u>24 982 794</u>	<u>33 207 527</u>
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	24 982 794	33 207 527
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
<b>Total Benefit Liability</b>	<b>24 982 794</b>	<b>33 207 527</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost & Past service cost	945 161	872 290
Senior Management	113 640	111 401
Municipal Staff	831 521	760 889
Past service cost (Policy Amendments)	(2 538 520)	-
Senior Management	73 513	-
Municipal Staff	(2 612 033)	-
Interest cost	3 062 653	3 076 218
Senior Management	115 390	99 046
Municipal Staff	2 947 263	2 977 172
Employer Benefit Payments	(1 854 508)	(1 562 757)
Senior Management	-	-
Municipal Staff	(1 854 508)	(1 562 757)
Actuarial losses / (gains)	(7 839 519)	(2 450 906)
Senior Management	(766 009)	(35 697)
Municipal Staff	(7 073 510)	(2 415 209)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 19)</b>	<b>(8 224 733)</b>	<b>(65 155)</b>

**Contribution to Actuarial losses / (gains):**

Basis changes:	<b>(7 839 519)</b>	<b>(2 450 906)</b>
Increases in net discount rates	(1 022 564)	(1 714 990)
Increase in assumed average retirement age	(2 817 224)	-
Decrease in assumed membership continuation rate at retirement	(1 577 797)	-
Decrease in assumed in-service non-member take-up rate	(2 032 076)	-
Decrease in assumed spouse dependant proportion at retirement	(1 361 188)	-
Application of revised withdrawal rates	345 103	-
Application of post-employment mortality improvement	2 566 914	-
Subsidy increases higher / (lower) than assumed	317 241	(210 462)
Changes to membership profile different from assumed	(2 338 429)	(336 390)
Actual benefits vested, lower / (greater) than expected	80 501	(189 064)

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

The actuarial gain attributable to membership changes arises primarily because, on average, members bought down to cheaper medical aid options, and there were more exits than expected since the last valuation.

The history of fair values are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	24 982 794	33 207 527	33 272 682	32 356 629	29 137 358
<b>Deficit</b>	<b>24 982 794</b>	<b>33 207 527</b>	<b>33 272 682</b>	<b>32 356 629</b>	<b>29 137 358</b>
Experienced adjustments on Plan Liabilities	(1 941 000)	(736 000)	2 157 000	1 764 000	(485 000)

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	4 293 700	4 242 000
Effect on the defined benefit obligation	26 275 000	35 844 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	3 705 000	3 648 400
Effect on the defined benefit obligation	23 234 000	30 626 000

The municipality expects to make a contribution of R1 520 078 (2018: R1 774 007) to the Defined Benefit Plans during the next financial year.

Refer to Note 39, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

	2019 R	2018 R
<b>13.2 Long Service Awards Liability</b>		
Opening Balance	3 803 746	3 408 329
Payments Made	(441 544)	(451 003)
Actuarial losses / (gains)	2 778 704	279 760
Increases (Passage of Time/Discounted Rate)	310 757	277 977
Increases (Outflow of Economic Benefits)	305 467	288 683
Balance at end of Year	6 757 130	3 803 746
Transfer to Current Provisions	(570 550)	(431 296)
<b>Total Long Service Awards Liability</b>	<b>6 186 580</b>	<b>3 372 450</b>

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

At year end, 101 (2018: 101) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending is estimated to be R305 467, whereas the cost for the ensuing year is estimated to be R288 683 (30 June 2017: R292 961).

The Interest Cost for the year ending is estimated to be R310 757, whereas the cost for the ensuing year is estimated to be R277 977 (30 June 2017: R256 740).

	2019 R	2018 R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.38%	8.65%
Net Effective Discount Rate	2.54%	2.28%
Expected Rate of Salary Increase	5.70%	6.23%
Expected Retirement Age - Females	62	58
Expected Retirement Age - Males	62	58
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Opening Balance	3 803 746	3 408 329
Payments Made	(441 544)	(451 003)
Actuarial losses / (gains)	2 778 704	279 760
Increases (Passage of Time/Discounted Rate)	310 757	277 977
Increases (Outflow of Economic Benefits)	305 467	288 683
<b>Total Recognised Benefit Liability</b>	<b>6 757 130</b>	<b>3 803 746</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	6 757 130	3 803 746
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	6 757 130	3 803 746
<b>Total Benefit Liability</b>	<b>6 757 130</b>	<b>3 803 746</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	305 467	288 683
Senior Management	-	-
Municipal Staff	305 467	288 683
Interest cost	310 757	277 977
Senior Management	-	-
Municipal Staff	310 757	277 977
Payments Made	(441 544)	(451 003)
Senior Management	(77 887)	(37 724)
Municipal Staff	(363 657)	(413 278)
Actuarial losses / (gains)	2 778 704	279 760
Senior Management	262 200	-
Municipal Staff	2 516 504	279 760
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 19)</b>	<b>2 953 384</b>	<b>395 417</b>
<b>Contribution to Actuarial losses / (gains):</b>	<b>2 778 704</b>	<b>279 760</b>
Basis changes:		
Increases in net discount rates	(132 172)	(63 771)
Salary increases higher than assumed	-	78 471
Increase in assumed average retirement age	2 037 057	-
Application of revised withdrawal rates	563 729	-
Earnings increases higher than assumed	46 150	-
Changes to employee profile different from assumed	253 692	151 749
Actual benefits vesting, greater than expected	10 248	113 310



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	6 757 130	3 803 746	3 408 329	3 140 916	2 784 058
<b>Deficit</b>	<b><u>6 757 130</u></b>	<b><u>3 803 746</u></b>	<b><u>3 408 329</u></b>	<b><u>3 140 916</u></b>	<b><u>2 784 058</u></b>
Experienced adjustments on Plan Liabilities	310 090	343 530	167 088	48 784	(112 056)

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2019 R	2018 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	664 700	613 700
Effect on the defined benefit obligation	7 307 000	4 071 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	572 700	524 500
Effect on the defined benefit obligation	6 268 000	3 562 000

The municipality expects to make a contribution of R570 550 (2018: R431 296) to the defined benefit plans during the next financial year.

#### 14 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	(20 355 090)	(32 975 276)
<b>Total Accumulated Surplus</b>	<b><u>(20 355 090)</u></b>	<b><u>(32 975 276)</u></b>

#### Reconciliation of Accumulated Surplus:

Opening Balance	(32 975 276)	(32 270 705)
Correction of Prior Period Error - Opening Balance	-	(804 613)
Accumulated Surplus As Per Financial Performance	12 620 186	100 042
<b>Total Accumulated Surplus</b>	<b><u>(20 355 090)</u></b>	<b><u>(32 975 276)</u></b>

#### 15 TRANSFERS AND SUBSIDIES RECEIVED

<b>Capital Grants</b>	-	289 435
Monetary Allocations	-	289 435
<b>Operational Grants</b>	79 703 677	64 497 062
Allocations In-kind	7 330 390	1 380 157
Monetary Allocations	72 373 286	63 116 905
<b>Private Enterprises</b>	94 000	-
Allocations In-kind	94 000	-
<b>Total Government Grants and Subsidies</b>	<b><u>79 797 677</u></b>	<b><u>64 786 497</u></b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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	2019 R	2018 R
<b>15.1 Operational Grants</b>		
<b>National Revenue Fund:</b>	<b>66 094 000</b>	<b>55 770 144</b>
Equitable Share	66 094 000	55 770 144
<b>National Governments:</b>		
<b>Monetary Allocations:</b>	<b>4 127 258</b>	<b>4 734 240</b>
Expanded Public Works Programme Integrated Grant	261 258	738 742
Local Government Financial Management Grant	1 000 000	1 135 498
Road Asset Management Systems Grant [Schedule 5B]	2 866 000	2 860 000
<b>In-kind Allocations:</b>	<b>472 574</b>	<b>731 120</b>
Subsidy for External Audit Fees	472 574	731 120
<b>Provincial Government:</b>		
<b>Monetary Allocations:</b>	<b>2 152 028</b>	<b>2 612 521</b>
Housing	750 000	1 541 780
Disaster Management - Near Project Subsidy	246 437	240 654
Disaster Management - Fire Equipment Grant	148 792	-
Other	1 006 799	830 087
<b>In-kind Allocations:</b>	<b>6 857 817</b>	<b>649 037</b>
Health	94 292	95 110
Housing	1 000 000	-
Disaster and Emergency Services	950 000	-
Capacity Building	813 525	553 928
Other	4 000 000	-
	<b>79 703 677</b>	<b>64 497 062</b>
<b>15.2 Capital Grants</b>		
<b>Provincial Government:</b>		
<b>Monetary Allocations:</b>	-	<b>289 435</b>
Regional Bulk Infrastructure Grant	-	289 435
<b>15.3 Private Enterprises</b>		
<b>In-kind Allocations:</b>	94 000	-
Private Enterprises	94 000	-
<b>Total Operational Grants Received</b>	<b>79 797 677</b>	<b>64 786 497</b>
<b>15.4 Reconciliation per Grant Source</b>		
<b>15.4.1 National Governments: Financial Management Grant</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	-	(114 502)
Current year receipts	1 000 000	1 250 000
Conditions met for 2017/18 - transferred to Re	-	-
Conditions met - transferred to Revenue: Operating Expenses	(785 333)	(1 135 498)
Conditions met - transferred to Revenue: Capital Expenses	(214 667)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

ZFM budgeted for mSCOA Implementation under the 2017/18 FMG Activity Plan but implementation started in June 2017 to comply with the implementation date of mSCOA on 1 July 2017. In the 2016/17 Special Adjustment Budget the 2016/17 FMG budget amount was increased by R450 000 to prevent unauthorised expenditures and decreased the Original Budget for 2017/18 financial year. Therefore the FMG was overspent in 2016/17 financial year and funding for the R450 000 will be received during the 2017/18 financial year.

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>15.4.2 National Governments: Rural Road Asset Management Systems</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	-	1 889 761
Current year receipts	2 866 000	2 860 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	(1 889 761)
Conditions met - transferred to Revenue: Operating Expenses	(2 586 541)	(2 860 000)
Conditions met - transferred to Revenue: Capital Expenses	(279 459)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

<b>15.4.3 National Governments: EPWP Incentive Grant</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	261 258	310 383
Current year receipts	-	1 000 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	(310 383)
Conditions met - transferred to Revenue: Operating Expenses	(261 258)	(738 742)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u><b>261 258</b></u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

<b>15.4.4 Provincial Government: Disaster Management - Near Project Subsidy</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	246 437	137 090
Current year receipts	-	350 000
Conditions met - transferred to Revenue: Operating Expenses	(246 437)	(240 654)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u><b>246 437</b></u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

<b>15.4.5 Provincial Government: Disaster Management - Fire Equipment Grant</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	148 792	148 792
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(148 792)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u><b>148 792</b></u>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

	2019 R	2018 R
<b>15.4.6 Provincial Government: DRD Sewer network and oxidation ponds RVM V/V</b>		
<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	-	289 435
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(289 435)
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

**15.4.7 Provincial Government: Housing Accreditation DPLG National**

<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	-	491 780
Current year receipts	750 000	1 050 000
Conditions met - transferred to Revenue: Operating Expenses	(750 000)	(1 541 780)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

**15.4.8 Provincial Government: Kgotso Pula Nala**

<b>Monetary Allocations:</b>		
Balance unspent at beginning of year	1 006 799	1 836 886
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 006 799)	(830 087)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	1 006 799

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

**15.4.9 Provincial Government: Kgotso Pula Nala**

<b>In-kind Allocation:</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(4 000 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**15.4.10 Provincial Government: SPLUM**

**In-kind Allocation:**

	2019 R	2018 R
Balance unspent at beginning of year	1 000 000	-
Current year receipts	-	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>1 000 000</u>

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

**15.4.11 Provincial Government: Disaster Management**

**In-kind Allocation:**

Balance unspent at beginning of year	950 000	-
Current year receipts	-	950 000
Conditions met - transferred to Revenue: Operating Expenses	(950 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>950 000</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

**15.4.12 Provincial Government: Financial Support Grant**

**In-kind Allocation:**

Balance unspent at beginning of year	813 525	1 367 452
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(813 525)	(553 928)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>813 525</u>

The Financial Support Grant is paid by Provincial Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

**15.4.13 Provincial Government: HIV and AIDS (Provincial Health Department)**

**In-kind Allocation:**

Balance unspent at beginning of year	56 581	151 691
Current year receipts	500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(94 292)	(95 110)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>462 289</u>	<u>56 581</u>

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address AIDS in the local community.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>15.4.14 Summary of Conditional Grants:</b>		
Balance unspent at beginning of year	4 483 392	6 508 769
Current year receipts	9 116 000	8 460 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	(2 200 144)
Conditions met - transferred to Revenue: Operating Expenses	(12 642 977)	(7 995 798)
Conditions met - transferred to Revenue: Capital Expenses	(494 126)	(289 435)
Conditions still to be met - transferred to Liabilities	<u>462 289</u>	<u>4 483 392</u>
<b>Grants classified under Receivables from Non-exchange Transactions</b>	-	-
<b>Unspent Conditional Grants - Current Liabilities (see Note 11)</b>	<u>462 289</u>	<u>4 483 392</u>

**16 RENTAL FROM FIXED ASSETS**

**Straight-lined Operating Lease Revenue**

Other Fixed Assets	6 928	7 119
Property Plant and Equipment	<u>6 928</u>	<u>7 119</u>
<b>Total Rental of Facilities and Equipment</b>	<u>6 928</u>	<u>7 119</u>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**17 INTEREST AND RENT ON LAND EARNED**

**External Investments:**

Bank Account	173 510	259 465
Investments	493 362	345 784
	<u>666 873</u>	<u>605 249</u>

**Outstanding Exchange Receivables:**

Long-term Debtors	2 761	2 739
	<u>2 761</u>	<u>2 739</u>

**Total Exchange Interest Earned**

<u>669 634</u>	<u>607 988</u>
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Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**18 OPERATIONAL REVENUE**

LGSETA Skills Programmes and Learnerships	364 251	-
Commission	46 602	42 800
Merchandising, Jobbing and Contracts	99 879	416 767
Skills Development Levy Refund (total)	80 409	56 307
<b>Total Operational Revenue</b>	<u>591 142</u>	<u>515 874</u>

**LGSETA Skills Programmes and Learnerships** were received for Student Education Programmes which were fully spent during 2018/19 financial year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**19 EMPLOYEE RELATED COSTS**

Salaries and Wages		
Basic	31 033 442	29 195 619
Senior Management	1 695 344	1 565 107
Municipal Staff	29 338 098	27 630 512
Bonuses	415 501	492 121
Senior Management - Performance Bonus	415 501	492 121
Overtime - Shift workers	635 552	515 185
Municipal Staff	635 552	515 185
Allowances		
Acting and Post Related Allowances	535 135	479 317
Senior Management	157 382	467 034
Municipal Staff	377 753	12 283
Annual Bonus Allowance	2 438 291	2 244 275
Senior Management	138 448	-
Municipal Staff	2 299 843	2 244 275
Cellular and Telephone	92 350	97 150
Senior Management	-	3 430
Municipal Staff	92 350	93 720
Housing Benefits	389 611	403 173
Senior Management	31 200	31 200
Municipal Staff	358 411	371 973
Scarcity Allowance	80 726	80 726
Senior Management	80 726	80 726
Standby Allowance	17 000	20 400
Municipal Staff	17 000	20 400
Travel or Motor Vehicle	4 246 181	3 898 817
Senior Management	1 220 739	1 031 165
Municipal Staff	3 025 442	2 867 652
Uniform/Special/Protective Clothing	1 513	1 530
Municipal Staff	1 513	1 530
Social Contributions		
Bargaining Council	8 805	7 123
Senior Management	347	294
Municipal Staff	8 458	6 829
Medical	1 835 289	1 782 367
Senior Management	100 881	120 112
Municipal Staff	1 734 408	1 662 256
Pension	5 127 520	4 762 845
Senior Management	98 667	138 782
Municipal Staff	5 028 852	4 624 063
Unemployment Insurance	182 571	178 369
Senior Management	5 354	5 354
Municipal Staff	177 217	173 015

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
Post-retirement Benefit		
Current Service Cost	945 161	872 290
Senior Management	113 640	111 401
Municipal Staff	831 521	760 889
Interest Cost	3 062 653	3 076 218
Senior Management	115 390	99 046
Municipal Staff	2 947 263	2 977 172
Actuarial Gains and Losses	(7 839 519)	(2 450 906)
Senior Management	(766 009)	(35 697)
Municipal Staff	(7 073 510)	(2 415 209)
Past Service Cost	(2 538 520)	-
Senior Management	73 513	-
Municipal Staff	(2 612 033)	-
Leave Gratuity	593 773	320 932
Senior Management	(42 371)	(44 918)
Municipal Staff	636 143	365 849
Long Term Service Awards	3 394 928	846 420
Senior Management	262 200	-
Municipal Staff	3 132 728	846 420
<b>Total Employee Related Costs</b>	<b>44 657 964</b>	<b>46 823 972</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager***

Annual Remuneration	-	266 206
Acting Allowance	157 382	265 348
Performance Bonus	84 909	231 781
Car, Cellphone and Housing Allowance	-	63 375
Company Contributions to Medical and Pension Funds	-	76 578
<b>Total</b>	<b>242 292</b>	<b>903 288</b>

The post was vacant for the period 01 July 2017 to 30 June 2019. Acting Allowances were paid for the period.

***Remuneration of Director: Financial Services***

Annual Remuneration	498 130	531 729
Annual Bonus	84 359	-
Scarce Skills Allowance	80 726	80 726
Performance Bonus	124 904	118 570
Car, Cellphone and Housing Allowance	378 647	381 961
Company Contributions to Medical and Pension Funds	50 263	46 452
<b>Total</b>	<b>1 217 030</b>	<b>1 159 438</b>

***Remuneration of the Director: Corporate Services***

Annual Remuneration	548 153	496 728
Performance Bonus	129 812	124 546
Car, Cellphone and Housing Allowance	439 502	449 179
Company Contributions to Medical and Pension Funds	149 286	135 863
<b>Total</b>	<b>1 266 753</b>	<b>1 206 316</b>



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
<b><i>Remuneration of the Director: Planning &amp; Development</i></b>		
Annual Remuneration	649 062	270 443
Acting Allowance	-	201 687
Annual Bonus	54 089	-
Performance Bonus	96 934	40 577
Car, Cellphone and Housing Allowance	433 790	171 280
<b>Total</b>	<b>1 233 875</b>	<b>683 987</b>

**Summary of Remuneration of Section 57 Employees:**

Annual Remuneration	1 695 344	1 565 107
Annual Bonus	138 448	-
Scarce Skills Allowance	80 726	80 726
Acting Allowance	157 382	467 034
Performance Bonus	436 560	515 473
Car, Cellphone and Housing Allowance	1 251 939	1 065 795
Company Contributions to Medical and Pension Funds	199 548	258 893
<b>Total Remuneration of Section 57 Employees</b>	<b>3 959 949</b>	<b>3 953 029</b>

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

**Staff Leave Benefits:-**

Director: Financial Services	27 245	55 368
Director: Planning & Development	107 076	68 501
Director: Corporate Services	26 089	36 035
<b>Total</b>	<b>160 410</b>	<b>159 904</b>

**20 REMUNERATION OF COUNCILLORS**

Executive Mayor	779 096	795 913
Speaker	649 465	639 258
Executive Committee	1 919 479	1 939 944
Total for All Other Councillors	328 488	352 926
<b>Total Councillors' Remuneration</b>	<b>3 676 528</b>	<b>3 728 041</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has used of a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>21 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	745 740	594 510
Amortisation: Intangible Assets	88 697	38 039
<b>Total Depreciation and Amortisation</b>	<b>834 437</b>	<b>632 550</b>
<b>21.1 Depreciation: Property, Plant and Equipment</b>		
Other Assets	82 240	82 240
Computer Equipment	251 906	236 178
Furniture and Office Equipment	45 249	114 114
Machinery and Equipment	243 133	17 499
Transport Assets	123 211	144 479
	<b>745 740</b>	<b>594 510</b>
<b>22 IMPAIRMENT LOSSES / (GAINS)</b>		
Impairment (Gains) on Financial Assets	(242 529)	(295 545)
Impairment Losses on Financial Assets	361 792	91 289
<b>Total Impairment Losses / (Gains)</b>	<b>119 263</b>	<b>(204 255)</b>
<b>22.1 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses</b>	79 834	91 289
Trade and Other Receivables from Exchange Transactions	79 834	89 472
Long Term Receivables	-	1 817
<b>Reversal of Impairment Losses</b>	(242 529)	(295 545)
Trade and Other Receivables from Exchange Transactions	(95 098)	(223 848)
Long Term Receivables	(147 431)	(71 696)
<b>Impairment Losses Recognised (written off during the current year):</b>	281 958	-
Trade and Other Receivables from Exchange Transactions	114 380	-
Long Term Receivables	167 579	-
	<b>119 263</b>	<b>(204 255)</b>
<b>23 INTEREST AND RENT ON LAND PAID</b>		
Finance Leases	90 481	-
Overdue Accounts	377	-
Total Interest Expense	90 858	-
Less: Amounts included in the Cost of qualifying Assets	-	-
<b>Total Interest and Rent on Land</b>	<b>90 858</b>	<b>-</b>
<b>24 CONTRACTED SERVICES</b>		
Outsourced Services	1 365 023	994 962
Consultants and Professional Services	1 939 840	1 669 435
Contractors	2 963 951	1 447 891
<b>Total Contracted Services</b>	<b>6 268 813</b>	<b>4 112 288</b>
Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.		

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>24.1 Outsourced Services</b>		
Business and Advisory	63 275	138 030
Cleaning Services	504 748	122 396
Clearing and Grass Cutting Services	657 000	657 926
Fire Services	-	58 610
Sewerage Services	140 000	18 000
	<b>1 365 023</b>	<b>994 962</b>

**24.2 Consultants and Professional Services**

Business and Advisory	569 905	358 414
Infrastructure and Planning	1 355 327	1 292 016
Legal Cost	14 608	19 005
	<b>1 939 840</b>	<b>1 669 435</b>

**24.3 Contractors**

Catering Services	870 836	50 906
Graphic Designers	19 710	21 589
Maintenance of Buildings and Facilities	975 693	279 205
Other Assets: Operational Buildings	975 693	279 205
Maintenance of Equipment	239 481	201 556
Furniture and Office Equipment	85 203	89 601
Transport Assets	154 278	111 954
Maintenance of Unspecified Assets	586 318	870 635
Intangible Assets	586 318	870 635
Plants, Flowers and Other Decorations	59 345	-
Transportation	26 900	-
Stage and Sound Crew	185 667	24 000
	<b>2 963 951</b>	<b>1 447 891</b>

**25 INVENTORY CONSUMED**

Consumables	207 042	180 197
Materials and Supplies	86 296	94 518
	<b>293 339</b>	<b>274 715</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**26 TRANSFERS AND SUBSIDIES PAID**

<b>Operational Grants</b>	830 046	131 545
Allocations In-kind	830 046	131 545
<b>Total Transfers and Subsidies Paid</b>	<b>830 046</b>	<b>131 545</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**26.1 Operational Grants**

	Allocations In-kind		Monetary Allocations	
	2019	2018	2019	2018
Households	769 410	131 545	0	-
Non-profit Institutions	16 000	-	-	-
<b>Total Operational Grants Paid</b>	<b>830 046</b>	<b>131 544.77</b>	<b>0</b>	<b>-</b>
			<b>2019</b>	<b>2018</b>
			<b>R</b>	<b>R</b>

**27 OPERATING LEASES**

Other Assets	828 093	577 575
<b>Total for Operating Leases</b>	<b>828 093</b>	<b>577 575</b>

**28 OPERATIONAL COSTS**

Included in Operational Costs are the following:

Achievements and Awards	197 008	58 941
Advertising, Publicity and Marketing	258 090	153 849
External Audit Fees	1 913 615	2 201 514
Bank Charges, Facility and Card Fees	116 089	80 043
Cleaning Services	11 010	-
Courier and Delivery Services	3 550	1 577
Communication	1 199 801	1 106 738
Entertainment	68 948	190 562
External Computer Service	918 507	678 019
Insurance Underwriting	397 860	146 784
Learnerships and Internships	341 426	200 638
Licences	6 349	8 675
Municipal Services	667 269	631 708
Registration Fees	29 843	22 432
Professional Bodies, Membership and Subscription	589 230	556 093
Skills Development Fund Levy	486 565	449 920
Toll Gate Fees	3 929	403
Transport Provided as Part of Departmental Activities	286 700	194 200
Travel and Subsistence	2 597 313	2 323 403
Uniform and Protective Clothing	16 371	45 832
Vehicle Tracking	8 053	10 000
Wet Fuel	339 928	400 883
Workmen's Compensation Fund	178 847	217 785
Samples and Specimens	26 608	2 114
Hire Charges	-	650
Fines and Penalties	95 420	-
Entrance Fees	38 614	41 664
<b>Total Operational Costs</b>	<b>10 796 943</b>	<b>9 724 429</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**28.1 Travel and Subsistence**

Accommodation, Daily Allowance & Incidental Cost	1 185 650	1 114 443
Accommodation	1 129 970	1 049 019
Daily Allowance	55 680	65 424
Transport without Operator	1 364 718	1 173 698
<b>Domestic</b>	<b>2 550 368</b>	<b>2 288 141</b>
<b>Non-employees</b>	<b>46 945</b>	<b>35 262</b>
<b>Total of Travel and Subsistence</b>	<b>2 597 313</b>	<b>2 323 403</b>

No other extra-ordinary expenses were incurred.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
<b>29 GAINS / (LOSSES) ON DISPOSAL OF CAPITAL ASSETS</b>		
Gains/(Losses) on write-offs of Property, Plant and Equipment	(27 360)	(16 759)
Gains/(Losses) on write-offs of Intangible Assets	(21 551)	180
<b>Total Gains / (Losses) on Disposal of Capital Assets</b>	<b>(48 911)</b>	<b>(16 579)</b>
<b>Total Gains on Disposal of Capital Assets</b>	<b>-</b>	<b>180</b>
<b>Total Losses on Disposal of Capital Assets</b>	<b>48 911</b>	<b>16 759</b>

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

**30 CHANGE IN ACCOUNTING POLICY**

**30.1 GRAP 25 - Employee Benefits**

The Accounting Standard for Employee Benefits has been recognised in the Annual Financial Statements of the municipality as at 30 June 2019 in terms of GRAP 25.

The municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (*Employee Benefits*). Previously the municipality applied no cap amount on the 70% Council contribution to continuation members but from 1 April 2019 a cap amount, based on the Bargaining Council's cap amount, was applied. The change is applied prospectively and there is no need for restatement of prior year figures as the policy was approved by Council on 31 March 2019.

The above-mentioned changes in Post Retirement Healthcare Policy had no effect on the Accumulated Surplus of prior years, the Statement of Financial Performance increased and Statement of Financial Position decreased by R2 538 520 (Past-service Cost) on 30 June 2019.

Refer to Employee Benefit Liabilities (Note 13).

**31 CORRECTION OF ERROR**

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of MSCOA as stated above resulted in certain descriptions and figures being restated.

Other corrections were also made during the previous financial years. Details of the corrections are described below:

**31.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

**The effect of the changes are as follows:**

	<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2017</b>	<b>(32 270 705)</b>
Correction of Error:	(804 613)
Correction of Trade and other Receivables from Exchange Transactions	101 632
Correction of VAT Receivable	204
Correction of Trade and Other Payable Exchange Transactions	461 003
Correction of Transfers and Subsidies Unspent	(1 519 143)
Correction of Trade and Other Payable Non-exchange Transactions	151 691
<b>Restated Balances as at 30 June 2017</b>	<b>(33 075 318)</b>

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	<b>Accumulated Surplus</b>
Transactions incurred for the Year 2017/18	(607 713)
Correction of Error:-	707 755
Correction of Trade and other Receivables from Exchange Transactions	(8 786)
Correction of VAT Receivable	(108 859)
Correction of Cash and Cash Equivalents	(8 584)
Correction of Receivables from Non-exchange	(11 950)
Correction of Property, Plant and Equipment	(7 850)
Correction of Trade and Other Payable Exchange Transactions	2 249 857
Correction of Transfers and Subsidies Unspent	(1 300 963)
Correction of Trade and Other Payable Non-exchange Transactions	(95 110)
<b>Restated Balances as at 30 June 2018</b>	<b><u>(32 975 276)</u></b>

**31.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality, in accordance with MSCOA and GRAP.

The effect of the Correction of Error is as follows:

	<b>Prior Year 2016/17 Audited</b>	<b>MSCOA Reclassification</b>	<b>MSCOA Restated Amount</b>	<b>Correction of Error</b>	<b>Restated Amount 2016/17</b>
Transfers and Subsidies	63 406 340	-	63 406 340	1 380 157	64 786 497
Impairment Gains	295 545	-	295 545	-	295 545
Rental from Fixed Assets	7 119	-	7 119	-	7 119
Interest & Rent on Land	608 139	-	608 139	(151)	607 988
Operational Revenue	515 874	-	515 874	-	515 874
Gains on Disposal of PPE	180	-	180	-	180
	<b><u>64 833 197</u></b>	<b><u>-</u></b>	<b><u>64 833 197</u></b>	<b><u>1 380 006</u></b>	<b><u>66 213 203</u></b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

**Transfers and Subsidies:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality received funding from National Treasury relating to 2017/18 Audit Fees. Therefore Non-exchange Revenue were retrospectively increased by R731 120, VAT Receivables were decreased by R109 668 and Trade and Other Payable Exchange Transactions were decreased by R840 788 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

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**Interest and Rent on Land:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not split the interest income between investments and bank account on 30 June 2018. Therefore Interest & Rent on Land: Investments were decreased by R259 465 and Interest & Rent on Land: Bank Accounts were increased by R259 465 on 30 June 2018.

**31.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2016/17 Audited</b>	<b>MSCOA Reclassification</b>	<b>MSCOA Restated Amount</b>	<b>Correction of Error</b>	<b>Restated Amount 2016/17</b>
Employee Related Costs	46 818 423	-	46 818 423	5 548	46 823 972
Remuneration of Councillors	3 728 041	-	3 728 041	-	3 728 041
Depreciation and Amortisation	632 550	-	632 550	-	632 550
Impairment Losses	91 289	-	91 289	-	91 289
Contracted Services	3 770 211	-	3 770 211	342 077	4 112 288
Inventory Consumed	288 070	-	288 070	(13 355)	274 715
Transfers and Subsidies Paid	96 345	-	96 345	35 200	131 545
Operating Leases	577 575	-	577 575	-	577 575
Operational Costs	9 429 497	-	9 429 497	294 932	9 724 429
Loss on Disposal of PPE	8 910	-	8 910	7 850	16 759
	<b>65 440 911</b>	<b>-</b>	<b>65 440 911</b>	<b>672 251</b>	<b>66 113 162</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

**Employee Related Costs:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not cancel the pension deduction of Mr. Strauss. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R12 250 and Employee Related Cost was decreased by R12 250 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not classify shift allowances correctly for Mrs. Visagie. Therefore Employee Related Costs: Shift Additional Remuneration were retrospectively increased by R30 880 and Employee Related Cost: Standby Allowance was decreased by R30 880 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not classify Employee Related Cost correctly for senior management. Therefore Employee Related Costs: Municipal Staff were retrospectively decreased by R335 645, Employee Related Costs: Senior Management was increased by R332 423 and Operational Cost was increased by R3 222 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified EPWP Grant expenditure on 30 June 2018. Therefore Contracted Services were retrospectively decreased by R27 495, Inventory Consumed was decreased by R22 017, Operational Cost was increased by R4 812, Transfer and Subsidies Paid was increased by R35 200 and Employee Related Cost was increased by R9 500 on 30 June 2018.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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**Contracted Services:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified EPWP Grant expenditure on 30 June 2018. Therefore Contracted Services were retrospectively decreased by R27 495, Inventory Consumed was decreased by R22 017, Operational Cost was increased by R4 812, Transfer and Subsidies Paid was increased by R35 200 and Employee Related Cost was increased by R9 500 on 30 June 2018.

**Inventory Consumed:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified EPWP Grant expenditure on 30 June 2018. Therefore Contracted Services were retrospectively decreased by R27 495, Inventory Consumed was decreased by R22 017, Operational Cost was increased by R4 812, Transfer and Subsidies Paid was increased by R35 200 and Employee Related Cost was increased by R9 500 on 30 June 2018.

**Transfers and Subsidies Paid:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified EPWP Grant expenditure on 30 June 2018. Therefore Contracted Services were retrospectively decreased by R27 495, Inventory Consumed was decreased by R22 017, Operational Cost was increased by R4 812, Transfer and Subsidies Paid was increased by R35 200 and Employee Related Cost was increased by R9 500 on 30 June 2018.



**ZF MGCAWU DISTRICT MUNICIPALITY**  
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**Operational Costs:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recorded Advertising Cost as Trade and Other Payable Exchange Transactions on 30 June 2018. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R504 and Operational Cost was decreased by R504 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised Fruitless & Wasteful Expenditure which was under investigation as Receivables from Non-exchange Transactions on 30 June 2018. Therefore Receivables from Non-exchange Transactions were retrospectively decreased by R11 950 and Operational Cost was increased by R11 950 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not classify Employee Related Cost correctly for senior management. Therefore Employee Related Costs: Municipal Staff were retrospectively decreased by R335 645, Employee Related Costs: Senior Management was increased by R332 423 and Operational Cost was increased by R3 222 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly classified EPWP Grant expenditure on 30 June 2018. Therefore Contracted Services were retrospectively decreased by R27 495, Inventory Consumed was decreased by R22 017, Operational Cost was increased by R4 812, Transfer and Subsidies Paid was increased by R35 200 and Employee Related Cost was increased by R9 500 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not recognise all transactions relating to SALGA on 30 June 2018. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R8 786 and Operational Cost was increased by R8 786 on 30 June 2018.

**Loss on Disposal of PPE:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality had assets on the 2017/18 asset register which have been written off by Council from before 30 June 2018. Therefore Property, Plant and Equipment was retrospectively decreased by R7 850 and Loss on Disposal of PPE was increased by R7 850 on 30 June 2018.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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**31.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
<b>Current Assets</b>					
Receivables from Exchange Transactions	160 781	-	160 781	92 846	253 627
Receivables from Non-exchange Transactions	11 950	-	11 950	(11 950)	-
VAT Receivable	479 464	-	479 464	(108 656)	370 809
Cash and Cash Equivalents	645 377	-	645 377	(8 584)	636 793
Current Portion of Long-term Receivables	90 986	-	90 986	-	90 986
<b>Non-Current Assets</b>					
Property, Plant and Equipment	21 043 150	-	21 043 150	(7 850)	21 035 301
Intangible Assets	161 134	-	161 134	-	161 134
Long-term Receivables	31 495	-	31 495	-	31 495
<b>Current Liabilities</b>					
Provisions	2 655 848	-	2 655 848	-	2 655 848
Payables from Exchange Transactions	16 321 071	-	16 321 071	(2 710 860)	13 610 211
Payables from Non-exchange Transactions	56 581	-	56 581	(56 581)	-
Unspent Conditional Grants and Receipts	1 663 286	-	1 663 286	2 820 106	4 483 392
Retirement Benefit Liabilities	34 805 970	-	34 805 970	-	34 805 970
<b>Net Assets</b>					
Accumulated Surplus / (Deficit)	(32 878 418)	-	(32 878 418)	(96 858)	(32 975 276)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

**Receivables from Exchange Transactions:**

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not recognised all transactions relating to SALGA on 30 June 2017. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R101 632 and Accumulated Surplus/(Deficit) was decreased by R101 632 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not recognised all transactions relating to SALGA on 30 June 2018. Therefore Trade and other Receivables from Exchange Transactions were retrospectively decreased by R8 786 and Operational Cost was increased by R8 786 on 30 June 2018.

**Receivables from Non-exchange Transactions:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised Fruitless & Wasteful Expenditure which was under investigation as Receivables from Non-exchange Transactions on 30 June 2018. Therefore Receivables from Non-exchange Transactions were retrospectively decreased by R11 950 and Operational Cost was increased by R11 950 on 30 June 2018.

**VAT Receivable:**

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions which related to 2016/17 financial year. Therefore VAT Receivables were increased by R204, Trade and Other Payable Exchange Transactions were increased by R2 000 and Accumulated Surplus/(Deficit) were increased by R1 796 on 30 June 2017.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality received funding from National Treasury relating to 2017/18 Audit Fees. Therefore Non-exchange Revenue were retrospectively increased by R731 120, VAT Receivables were decreased by R109 668 and Trade and Other Payable Exchange Transactions were decreased by R840 788 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

**Cash and Cash Equivalents:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

**Property, Plant and Equipment:**

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality had assets on the 2017/18 asset register which have been written off by Council from before 30 June 2018. Therefore Property, Plant and Equipment was retrospectively decreased by R7 850 and Loss on Disposal of PPE was increased by R7 850 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not classify Property, Plant and Equipment correctly between Computer Equipment and Furniture and Office Equipment. Therefore Property, Plant and Equipment: Computer Equipment were retrospectively increased by R4 107 and Property, Plant and Equipment: Furniture and Office Equipment was decreased by R4 107 on 30 June 2018.

**Payables from Exchange Transactions:**

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions which related to 2016/17 financial year. Therefore VAT Receivables were increased by R204, Trade and Other Payable Exchange Transactions were increased by R2 000 and Accumulated Surplus/(Deficit) were increased by R1 796 on 30 June 2017.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly remunerated shift workers (not employed by ZFM anymore) from October 2013 until 30 June 2017. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R842 720 and Accumulated Surplus/(Deficit) were increased by R842 720 on 30 June 2017.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality paid acting allowances relating to May 2016 to July 2016. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R51 015 and Accumulated Surplus/(Deficit) was increased by R51 015 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant received during 2016/17 financial year as Advanced Payments under Trade and Other Payable Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 367 452 and In-kind Unspent Conditional Grants were increased by R1 367 452 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality received funding from National Treasury relating to 2017/18 Audit Fees. Therefore Non-exchange Revenue were retrospectively increased by R731 120, VAT Receivables were decreased by R109 668 and Trade and Other Payable Exchange Transactions were decreased by R840 788 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recorded Advertising Cost as Trade and Other Payable Exchange Transactions on 30 June 2018. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R504 and Operational Cost was decreased by R504 on 30 June 2018.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not cancel the pension deduction of Mr. Strauss. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R12 250 and Employee Related Cost was decreased by R12 250 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the SPLUM and Disaster Management conditional grant received during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 950 000 and In-kind Unspent Conditional Grants were increased by R1 950 000 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised the leave balance for resigned employees as Trade and Other Payable Exchange Transactions: Leave Accrual and not as Trade and Other Payable Exchange Transactions: Leave Creditor. Therefore Trade and Other Payable Exchange Transactions: Leave Accrual were retrospectively decreased by R46 120 and Trade and Other Payable Exchange Transactions: Leave Creditor was increased by R46 120 on 30 June 2018.

**Payables from Non-exchange Transactions:**

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2016/17 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively decreased by R151 691 and In-kind Unspent Conditional Grants were increased by R151 691 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

**Unspent Conditional Grants and Receipts:**

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant received during 2016/17 financial year as Advanced Payments under Trade and Other Payable Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 367 452 and In-kind Unspent Conditional Grants were increased by R1 367 452 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2016/17 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively decreased by R151 691 and In-kind Unspent Conditional Grants were increased by R151 691 on 30 June 2018.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the SPLUM and Disaster Management conditional grant received during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 950 000 and In-kind Unspent Conditional Grants were increased by R1 950 000 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>32 CHANGE IN ACCOUNTING ESTIMATES</b>		
<b>32.1 Depreciation Expenditure:</b>		
The estimated useful lives and depreciation method were reviewed at 30 June 2019 and no changes were made for the 2018/19 financial year.		
Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2018/19 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(37 422)	3 158
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>(37 422)</b>	<b>3 158</b>
Depreciation as previously stated	871 858	629 392
Adjustment due to Change in Accounting Estimate	(37 422)	3 158
<b>Depreciation as per Note 21</b>	<b>834 437</b>	<b>632 550</b>
<b>33 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	12 620 186	100 042
Adjustment for:		
Depreciation and Amortisation	834 437	632 550
Losses / (Gains) on Disposal of Property, Plant and Equipment	27 360	16 759
Losses / (Gains) on Disposal of Intangible Assets	21 551	(180)
Contribution to Post-retirement Employee Benefits	(6 370 225)	1 497 602
Expenditure incurred from Post-retirement Employee Benefits	(1 854 508)	(1 562 757)
Contribution to Long Service Awards Liability	3 394 928	846 420
Expenditure incurred from Long Service Awards Liability	(441 544)	(451 003)
Contribution to Provisions - Current: Performance Bonus	429 485	450 545
Expenditure incurred from Provisions - Current: Performance Bonus	(450 545)	(473 897)
Contribution to Impairment Provision - Receivables from Exchange Transactions	(15 264)	(134 376)
Contribution to Impairment Provision - Long-term Receivables	(147 431)	(69 879)
Bad Debts Written-off: Long-term Receivables	167 579	-
Bad Debts Written-off: Receivables from Exchange Transactions	114 380	-
<b>Operating surplus before working capital changes</b>	<b>8 330 389</b>	<b>851 825</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
Decrease/(Increase) in Receivables from Exchange Transactions	(155 872)	126 070
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	114 502
Decrease/(Increase) in VAT Receivable	142 682	(96 231)
Decrease/(Increase) in Current Portion of Long-term Receivables	75 423	82 723
Increase/(Decrease) in Payables from Exchange Transactions	(2 545 956)	1 356 227
Increase/(Decrease) in Conditional Grants and Receipts	(4 021 103)	(2 139 879)
Increase/(Decrease) in Operating Lease Liabilities	45 670	(30 853)
<b>Cash generated by / (utilised in) Operations</b>	<b>1 871 233</b>	<b>264 384</b>

**34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**34.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	-	5 189 818
Unauthorised Expenditure current year	-	-
Approved by Council	-	(5 189 818)
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	-	-

No Unauthorised Expenditures incurred for 2017/18 & 2018/19 financial year.

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all unauthorised expenditures. Each instance and reason for the items that lead to unauthorised expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these unauthorised expenditures and must be written off during the 2017/18 financial year.

	2019 R	2018 R
<b>34.2 Fruitless and Wasteful Expenditure</b>		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	69 113	215 367
Fruitless and Wasteful Expenditure current year	80 593	13 070
Expenditure investigated and approved by Council	(81 713)	(148 701)
To be recovered – Receivables from Exchange Transactions (refer Note 2.)	-	-
To be recovered – Long-term Receivables (refer Note 8)	-	(10 623)
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<b>67 993</b>	<b>69 113</b>

Fruitless and Wasteful expenditure summary for 2018/19 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Ancorley: Interest incurred due to late payments.	Awaiting investigation report	377
SALGBC: Failure to comply with section D, clause 16 of the SALGBC Main Collective Agreement. Case no. C/HQ/10/17/26	Awaiting investigation report	15 421
SARS: Fines and Penalties paid on 2017/18 PAYE account	Awaiting investigation report	64 795
<b>Total:</b>		<b>80 593</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Fruitless and Wasteful expenditure summary for 2017/18 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
During 2017/18 financial year it was noted that debit orders were deducted from our primary bank account and the bank was informed but the money was not recovered yet. This was reported as fraud and the investigation is still in progress.	Awaiting investigation report	11 950
During 2017/18 financial year it was noted that an invoice (payment no: 31566) of Synergy Business events was overpaid by R1 120.	Awaiting investigation report	1 120
<b>Total:</b>		<b>13 070</b>

Fruitless and Wasteful expenditure summary for 2014/15 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Payment into incorrect bank account: Documentation was received by ZFM to change the banking details of Usentra (Edms) Bpk but ZFM did not confirm this with Usentra (Edms) Bpk. Usentra (Edms) Bpk informed ZFM that they did not receive the rental for April 2015. After investigation by ZFM it was evident that the documentation received by ZFM was fabricated and that the money was paid to another person's bank account and withdrawn by the person on the same day. This was reported to the South African Police Services for further investigation.	Awaiting investigation report	56 043
<b>Total:</b>		<b>56 043</b>

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all fruitless and wasteful expenditures. Each instance and reason for the items that lead to fruitless and wasteful expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these fruitless and wasteful expenditures and must be written off during the 2017/18 financial year.

	2019 R	2018 R
<b>34.3 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		
Opening balance	684 494	4 328 996
Irregular Expenditure current year	101 608	684 494
Written off by Council	(786 102)	(4 328 996)
Transfer to receivables for recovery (see Note N/A)	-	-
Irregular Expenditure awaiting condonement	-	<b>684 494</b>

Irregular Expenditure summary for 2018/19 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act. - AK Tieties: Irregular acting period as Municipal Manager from July 2018 to August 2018 (R128 719). - G Lategan: Irregular acting period as Municipal Manager from December 2018 until February 2019 (R23 903).	Awaiting approval as per section 56(1)(c) of the Municipal Systems Act	101 608
<b>Total:</b>		<b>101 608</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

Irregular Expenditure summary for 2017/18 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act. - RL Mjethu: Irregular acting period as Municipal Manager from October 2017 to January 2018.	Awaiting approval as per section 56(1)(c) of the Municipal Systems Act	544 666
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act. - AK Tieties: Irregular acting period as Director: Municipal Support Services from April 2017 to June 2017 (R31 121). - AK Tieties: Irregular acting period as Director: Municipal Support Services from July 2017 to March 2018 (R108 707).	Awaiting approval as per section 56(1)(c) of the Municipal Systems Act	139 828
<b>Total:</b>		<b>684 494</b>

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all irregular expenditures. Each instance and reason for the items that lead to irregular expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these irregular expenditure and must be written off during the 2017/18 financial year.

**35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**35.1 Contributions to organised local government - SALGA**

	2019 R	2018 R
Opening Balance	(357 154)	101 632
Council Subscriptions	(500 000)	(500 000)
Subscriptions Amount Paid - current year	500 000	50 000
Subscriptions Amount Paid - previous years	450 000	-
Council Members Assembly and Levies	(24 185)	(19 572)
Members Assembly and Levies Amount Paid - current year	6 500	10 786

**Balance Unpaid (included in Payables from Exchange Transactions)**

<b>75 161</b>	<b>(357 154)</b>
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**35.2 Audit Fees**

Opening Balance	(1 659 085)	-
Current year Audit Fee	(2 200 657)	(2 499 873)
Amount Paid by National Treasury	543 460	840 788
Amount Paid - current year	50 000	-
Amount Paid - previous years	2 499 873	-

**Balance Unpaid (included in Payables from Exchange Transactions)**

<b>(766 409)</b>	<b>(1 659 085)</b>
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**35.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.

**35.4 PAYE, Skills Development Levy and UIF**

Opening Balance	1 472 597	1 342 071
Current year Payroll Deductions	9 001 865	8 484 137
Amount Paid - current year	(7 520 860)	(7 011 541)
Amount Paid - previous years	(1 472 597)	(1 342 071)

**Balance Unpaid (included in Payables from Exchange Transactions)**

<b>1 481 005</b>	<b>1 472 597</b>
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**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 R
Balance Unpaid - May	685 179	655 227
Balance Unpaid - June	795 826	817 370
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>1 481 005</b>	<b>1 472 597</b>

**35.5 Pension and Medical Aid Deductions**

Opening Balance	863 646	809 507
Current year Payroll Deductions and Council Contributions	11 185 169	10 442 484
Amount Paid - current year	(10 095 420)	(9 578 838)
Amount Paid - previous years	(863 646)	(809 507)
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>1 089 749</b>	<b>863 646</b>

The unpaid balance refer to June month's outstanding balance and is payable before 7 July.

**35.6 Councillor's arrear Consumer Accounts**

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

**35.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**35.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
<b>EXECUTIVE AND COUNCIL</b>	Various	54	Impractical for procurement processes	575 925
	Various	3	Emergency	137 705
	Various	20	Single provider only	124 773
77 Occasions during the year amounts to R838 402				
<b>FINANCE AND ADMINISTRATION</b>	Various	44	Impractical for procurement processes	699 975
	Monate Catering	4	Emergency	33 550
	Various	28	Single provider only	1 571 354
76 Occasions during the year amounts to R2 304 879				
<b>PLANNING AND DEVELOPMENT</b>	Europcar	3	Impractical for procurement processes	46 514
	CZE Trading	1	Emergency	195 750
	Various	4	Single provider only	11 306
8 Occasions during the year amounts to R253 570				
<b>ENVIRONMENTAL HEALTH</b>	Pathcare	1	Single provider only	2 992
1 Occasions during the year amounts to R2 992				
<b>OTHER: TOURISM</b>	Adventures Lifestyle Show	1	Single provider only	26 839
1 Occasions during the year amounts to R26 839				
<b>Total:</b>				<b>3 426 682</b>

**35.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**36 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BALCK ECONOMIC EMPOWERMENT ACT**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

	2019 R	2018 R
<b>37 COMMITMENTS FOR EXPENDITURE</b>		
<b>37.1 Capital Commitments</b>		
The municipality had no capital commitments at year-end.		
<b>37.2 Other Commitments</b>		
<b>- Approved and Contracted for:-</b>	<b>12 578 944</b>	<b>6 828 408</b>
General Voice Equipment	43 860	590 178
Office Space Rentals	2 490 160	-
Rural Roads Asset Manage Systems	3 862 922	-
LGSETA Learnerships Programmes - TAG 443	5 557 750	5 643 500
LGSETA Learnerships Programmes - Summat Training Institute	545 970	557 940
LGSETA Learnerships Programmes - Gomolemo's Consultation	33 111	36 790
Outstanding orders	45 171	-
<b>- Approved but Not Yet Contracted for:-</b>	<b>489 325</b>	<b>-</b>
Insurance Contract	489 325	-
<b>Total Capital Commitments</b>	<b>13 068 269</b>	<b>6 828 408</b>
This expenditure will be financed from:		
Government Grants	3 862 922	-
LGSETA	6 136 831	6 238 230
Own Resources	3 068 516	590 178
	<b>13 068 269</b>	<b>6 828 408</b>

**General Voice Equipment:**

The Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 August 2014 to 31 July 2019. There are no annual escalations and the total tender value of R2 727 600 (incl. VAT) was awarded in February 2014 .

On 30 June 2019 the outstanding commitment to URB Klank and Beeld was R43 860 (incl. VAT). URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**Office Space Rentals:**

The Municipality has a lease agreement with Ancorley Gebou (Edms) Bpk to rent office space from 1 February 2015 to 31 January 2018. There are annual escalations which are included in the total tender value of R1 900 638 (incl. VAT). The tender was awarded in July 2014 .

On 30 June 2018 the outstanding commitment to Ancorley Gebou (Edms) Bpk was R0 (incl. VAT). Ancorley Gebou (Edms) Bpk was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has a lease agreement with Crystal Lagoon to rent office space from 1 December 2018 to 30 November 2021. There are annual escalations which are included in the total tender value of R3 026 035 (incl. VAT). The tender was awarded in November 2018 .

On 30 June 2019 the outstanding commitment to Crystal Lagoon was R2 490 160 (incl. VAT). Crystal Lagoon was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Rural Roads Asset Manage Systems:**

The Municipality has awarded a tender to Aganang to render implementation and management of the rural roads assets from April 2019 until June 2021. There are no annual escalations and the total tender value of R5 042 967 (incl. VAT) was awarded in April 2019.

On 30 June 2019 the outstanding commitment to Aganang was R3 862 922 (incl. VAT). Aganang was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**LGSETA Skills Programmes and Learnerships:**

The Municipality has awarded a tender to TAG 443 to implement a skills programme and learnerships in the ZF Mgcawu District from May 2018 until June 2020. There are no annual escalations and the total tender value of R5 643 500 (incl. VAT) was awarded in April 2018.

On 30 June 2019 the outstanding commitment to TAGG 443 was R5 557 750 (incl. VAT). TAG 443 was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has a contracted value of R5 828 000 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches during 2018/19 and 2019/20 financial years.

**LGSETA Skills Programmes and Learnerships:**

The Municipality has awarded a tender to Summat Training Institute to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R557 940 (incl. VAT) was awarded in December 2017.

On 30 June 2019 the outstanding commitment to Summat Training Institute was R545 970 (incl. VAT). Summat Training Institute was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has a contracted value of R988 800 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches during 2018/19 and 2019/20 financial years.

**LGSETA Skills Programmes and Learnerships:**

The Municipality has awarded a tender to Gomolemo's Consultation to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R36 790 (incl. VAT) was awarded in December 2017.

On 30 June 2019 the outstanding commitment to Gomolemo's Consultation was R33 111 (incl. VAT). Gomolemo's Consultation was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The Municipality has a contracted value of R43 200 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches during 2018/19 and 2019/20 financial years.

**Insurance Contract:**

The Municipality has a contract with AON to insure all municipal assets from 1 July 2019 to 30 June 2022 which was approved on 28 June 2019. There are annual escalations which are included in the total tender value of R489 325 (incl. VAT). The tender was awarded in June 2019.

On 30 June 2019 the outstanding commitment to AON was R489 325. AON was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**Outstanding Orders:**

The Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the municipality has a commitment with suppliers to render services or goods after year-end.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
<b>38 FINANCIAL INSTRUMENTS</b>			
<b>38.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Finance Lease Receivable	Amortised cost	13 355	14 304
Staff Related Long Term Receivables	Amortised cost	8 323	17 191
Staff Related - Performance Bonus Debtors	Amortised cost	-	6 860
Staff Related - Maternity Leave Debtors	Amortised cost	8 323	7 428
Staff Related - Acting Allowance Debtors	Amortised cost	-	2 902
<b>Receivables from Exchange Transactions</b>			
Merchandising, Jobbing and Contracts	Amortised cost	128 309	127 781
Prepayments and Advances	Amortised cost	182 074	125 846
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	546	526
Bank Balances	Amortised cost	1 276 060	635 875
Cash Floats and Advances	Fair value	26	392
<b>Current Portion of Long-term Receivables</b>			
Finance Lease Receivable	Amortised cost	3 600	3 600
Staff Related Long Term Receivables	Amortised cost	11 962	87 386
Employee PAYE Debtors	Amortised cost	-	53 946
Performance Bonus Debtors	Amortised cost	6 860	27 443
Maternity Leave Debtors	Amortised cost	2 200	3 095
Acting Allowance Debtors	Amortised cost	2 902	2 902

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Finance Lease Receivable	13 355	14 304
Long-term Receivables	Staff Related Long Term Receivables	8 323	17 191
Receivables from Exchange Transactions	Property Rental Debtors	128 309	127 781
Receivables from Exchange Transactions	Prepayments and Advances	182 074	125 846
Current Portion of Long-term Receivables	Finance Lease Receivable	3 600	3 600
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	11 962	87 386
Cash and Cash Equivalents	Call Deposits	546	526
Cash and Cash Equivalents	Bank Balances	1 276 060	635 875
		<u>1 624 229</u>	<u>1 012 508</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	26	392
		<u>26</u>	<u>392</u>
<b>Total Financial Assets</b>		<u><b>1 624 255</b></u>	<u><b>1 012 900</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	375 902	-
<b>Payables from Exchange Transactions</b>			
Advance Payments	Amortised cost	454 731	195 034
Bonus	Amortised cost	1 434 902	1 406 783
Leave Accrual	Amortised cost	2 903 539	2 366 936
Other Payables: Salary Clearing and Control Retentions	Amortised cost	1 186 248	923 813
Salary Related Payables	Amortised cost	-	-
Trade Creditors	Amortised cost	3 028 506	4 004 052
		2 056 330	4 713 593
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	241 720	-

**SUMMARY OF FINANCIAL LIABILITIES**

<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Lease Liabilities	375 902	-
Payables from Exchange Transactions	Advance Payments	454 731	195 034
Payables from Exchange Transactions	Bonus	1 434 902	1 406 783
Payables from Exchange Transactions	Leave Accrual	2 903 539	2 366 936
Payables from Exchange Transactions	Other Payables	1 186 248	923 813
Payables from Exchange Transactions	Retentions	-	-
Payables from Exchange Transactions	Salary Related Payables	3 028 506	4 004 052
Payables from Exchange Transactions	Trade Creditors	2 056 330	4 713 593

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

		2019 R	2018 R
Current Portion of Long-term Liabilities	Finance Lease Liabilities	241 720	-
		<u>11 681 877</u>	<u>13 610 211</u>
<b>Total Financial Liabilities</b>		<u><b>11 681 877</b></u>	<u><b>13 610 211</b></u>

**38.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2019, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2019		30 June 2018	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	1 624 229	1 624 229	1 012 508	1 012 508
Call Deposits	546	546	526	526
Bank Balances	1 276 060	1 276 060	635 875	635 875
Long-term Receivables	21 679	21 679	31 495	31 495
Trade Receivables from Exchange Transactions	310 383	310 383	253 627	253 627
Current Portion of Long-term Receivables	15 562	15 562	90 986	90 986

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	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>Carrying Amount R</b>	<b>Fair Value R</b>	<b>Carrying Amount R</b>	<b>Fair Value R</b>
<b>Measured at Fair Value</b>	26	26	392	392
Cash and Cash Equivalents	26	26	392	392
<b>Total Financial Assets</b>	<u>1 624 255</u>	<u>1 624 255</u>	<u>1 012 900</u>	<u>1 012 900</u>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>	11 681 877	11 681 877	13 610 211	13 610 211
Finance Lease Liabilities	375 902	375 902	-	-
Trade and Other Payables:				
- Payables from Exchange Transactions	11 064 255	11 064 255	13 610 211	13 610 211
- Current Portion of Long-term Liabilities	241 720	241 720	-	-
<b>Total Financial Liabilities</b>	<u>11 681 877</u>	<u>11 681 877</u>	<u>13 610 211</u>	<u>13 610 211</u>
<b>Total Financial Instruments</b>	<u>(10 057 622)</u>	<u>(10 057 622)</u>	<u>(12 597 310)</u>	<u>(12 597 310)</u>
<b>Unrecognised Gain / (Loss)</b>		<u>-</u>		<u>-</u>

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2019**

	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	26	-	26
<b>Total Financial Assets</b>	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>

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**30 June 2018**

	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	392	-	392
<b>Total Financial Assets</b>	<u>-</u>	<u>392</u>	<u>-</u>	<u>392</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>392</u>	<u>-</u>	<u>392</u>

**38.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2018.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

**Gearing Ratio**

	<b>2019 R</b>	<b>2018 R</b>
The gearing ratio at the year-end was as follows:		
Debt	617 623	-
Cash and Cash Equivalents	(1 276 631)	(636 793)
Net Debt	<u>(659 009)</u>	<u>(636 793)</u>
Equity	<u>(20 355 090)</u>	<u>(32 975 276)</u>
<b>Net debt to equity ratio</b>	<u><b>3.24%</b></u>	<u><b>1.93%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**38.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.



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**38.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 38.8 to the Annual Financial Statements.

**38.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

**38.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**38.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 38.8 below:

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**38.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	37 241	122 480
Receivables from Exchange Transactions	765 031	723 539
Bank, Cash and Cash Equivalents	1 276 631	636 793
<b>Maximum Credit and Interest Risk Exposure</b>	<b>2 078 903</b>	<b>1 482 812</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**38 FINANCIAL INSTRUMENTS (Continued)**

**38.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the District Municipality's short, medium and long-term funding and liquidity management requirements. The District Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the District Municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The District Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the District Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the District Municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2019</b>								
Non-interest Bearing		0%	11 064 255	11 064 255	-	-	-	-
- Payables from Exchange transactions	10	0%	11 064 255	11 064 255	-	-	-	-
Fixed Interest Rate Instruments		19.40%	663 292	120 860	120 860	241 720	179 852	-
- Long-term Liabilities	12	19.40%	663 292	120 860	120 860	241 720	179 852	-
			<b>11 727 547</b>	<b>11 185 115</b>	<b>120 860</b>	<b>241 720</b>	<b>179 852</b>	<b>-</b>
<b>30 June 2018</b>			45 670					
Non-interest Bearing		0%	13 610 211	13 610 211	-	-	-	-
- Payables from Exchange transactions	10	0%	13 610 211	13 610 211	-	-	-	-
			<b>13 610 211</b>	<b>13 610 211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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The following table details the District Municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the District Municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2019</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0%	347 624	318 164	7 781	15 562	6 117	-
- Long-term Receivables			37 241	7 781	7 781	15 562	6 117	-
- Trade Receivables from Exchange Transactions			310 383	310 383	-	-	-	-
Variable Interest Rate Instruments		<b>2.5%</b>	1 276 605	1 276 605	-	-	-	-
- Call Deposits		6.5%	546	546	-	-	-	-
- Bank Account		2.5%	1 276 060	1 276 060	-	-	-	-
			<b>1 624 229</b>	<b>1 594 769</b>	<b>7 781</b>	<b>15 562</b>	<b>6 117</b>	<b>-</b>
<b>30 June 2018</b>								
Non-interest Bearing		0%	376 107	299 120	45 493	31 495	-	-
- Long-term Receivables			122 480	45 493	45 493	31 495	-	-
- Trade Receivables from Exchange Transactions			253 627	253 627	-	-	-	-
Variable Interest Rate Instruments		<b>2.5%</b>	636 401	636 401	-	-	-	-
- Call Deposits		6.5%	526	526	-	-	-	-
- Bank Account		2.5%	635 875	635 875	-	-	-	-
			<b>1 012 508</b>	<b>935 521</b>	<b>45 493</b>	<b>31 495</b>	<b>-</b>	<b>-</b>

**38.9 Other Price Risks**

The District Municipality is not exposed to equity price risks arising from equity investments as the District Municipality does not trade these investments.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**39 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the District Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the District Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 854 508 (2018: R1 562 757) represents contributions payable to these plans by the District Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**LA Retirement Fund/Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017 : R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

**Consolidated Retirement Fund::**

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2017.

The last statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21,359,000,000 (30 June 2016: R20,075,000,000), with funding levels of 127.3% and 100% (30 June 2016 118.0% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2017 & 2016. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

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**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

**40 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**40.1 Interest of Related Parties**

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
A Vosloo	Executive Mayor	Director at Khethabeke Enterprise
JG Lategan	Municipal Manager	Director at K2019233023
J Lodewyk	Councillor	Director at Khoi-san Agricultural
P Isaacs	Councillor	Director at Vandalux
B Bock	Councillor	Director at BM Bock Construction and community development
J Linden	Middle Manager	Director at Hazfree Waste Management
J Visagie	Middle Manager	Director at Sakiwi5 Trading
JA Kitching	Middle Manager	Director at Ablaze Trading 258
H Mclauli	Middle Manager	Director at Siyanda Theatre Laboratory
FJ Strauss	Middle Manager	Director at W J P Strauss Boerdery
C Mathe	Middle Manager	Director at Our Solid Foundation
		Director at O Mogolo Homes
K Kitching	Manager's Spouse	Director at ANSEC 133
		Director at Hemiprox
A Van Zyl	Manager's Spouse	Director at ANSEC 133
		Director at Hemiprox
L Lankalebalela	Audit Committee	Director at King Golfers

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<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
NE Mclauli	Manager's Spouse	Director at Siyanda Theatre Laboratory
AK Tieties	Middle Manager	Director at A and t Development
J Van Wyk	Middle Manager	Director at JVW Group
JGM Van Wyk	Middle Manager	Director at JVW Group

The following Councillors and/or Management of the Municipality was in businesses but resigned from the business:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
A Vosloo	Executive Mayor	Director at White Mountain Mining Director at Kiesie Production Director at Minasu Technologies Director at Perspektiv HR Solutions Director at Willoo Development
M Moalosi	Speaker	Director at Moulouis Catering
N Prince	Councillor	Director at Yinhla Training and business Consulting Firm Director at Grand Bridge Trading 95
A Kitching	Middle Manager	Director at Ablaze Trading 258
J Nengome	Middle Manager	Director at Sedzaphanda Building Construction
L Langalebalela	Audit Committee	Director at Fita Consultancy Director at EL Computers Director at Access Information Management Services Director at Halala Driving School Director at Final Score Director at Sekalaxabiso Director at Blue Rose Investments Director at Numbersecure Director at Regucom Director at Xabiso Consulting Director at Zamori 163
P Isaacs	Councillor	Director at City Park Trading Director at Micromatica 563
G Booysen	SCM Official	Director at GSNF Construction

The following Councillors and/or Management of the Municipality have relationships with businesses in final deregistration:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
A Vosloo	Executive Mayor	Director at Ditsa Da Ra Properties
MMG Mnganga	Middle Manager	Director at Mnganga Civil and Property developers Director at Mnganga Civil and Property Developers
G Booysen	SCM Official	Director at GSNF Construction
G Cloete	Middle Manager	Director at BC2S Construction Consulting and Trading Services

The following Councillors and/or Management of the Municipality have no relationships with businesses:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
JJJ Olyn	Mayor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
A Davids	Councillor	No relationship with businesses
B Bosman	Councillor	No relationship with businesses
B Bock	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
S Esau	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
H Ross	Councillor	No relationship with businesses
J Assegaai	Councillor	No relationship with businesses
J Mei	Councillor	No relationship with businesses

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
M Basson	Councillor	No relationship with businesses
F Witbooi	Councillor	No relationship with businesses
M Bosman	Councillor	No relationship with businesses
M Mashila	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
P Mgcwera	Councillor	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
P Beukes	Director	No relationship with businesses
M Venter	Audit Committee	No relationship with businesses
Ogu	Audit Committee	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouws	Middle Manager	No relationship with businesses
E Britz/Isaacs	Middle Manager	No relationship with businesses
F Ruppig	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
E Van der Westhuizen	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses
J Combrink	Middle Manager	No relationship with businesses
M Manye	Middle Manager	No relationship with businesses
D Lekanyane	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses
J Willemse	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
S Botha	SCM Official	No relationship with businesses
G Femele	SCM Intern	No relationship with businesses
W Zaula	SCM intern	No relationship with businesses
J Beukes	Director's Spouse	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
J Van Der Westhuizen	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
EE Job	Manager's Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses

**40.2 Services rendered to Related Parties**

The Municipality did not render any services during the year to anyone that can be considered as a related party.

**40.3 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

**40.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

**40.5 Purchases from Related Parties**

The Municipality did not purchase goods from anyone during the year that can be considered as a related party.



**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**40.6 Related Parties of Spouses**

The Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	<b>2019</b> <b>R</b>	<b>2018</b> <b>R</b>
<b>41 CONTINGENT LIABILITIES</b>		
<b>41.1 Court Proceedings:</b>	<b>465 000</b>	<b>365 000</b>
(i) April Jacobs: Claim against the Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the Municipality.	115 000	115 000
(ii) Jolene van Wyk: Claim against the Municipality handled by Lulama Lobi Inc regarding a review of an appointment . Possible obligation to the Municipality.	350 000	250 000
<b>41.2 Disputes:</b>	<b>234 696</b>	<b>448 398</b>
(v) Auditor-General: Kimberley: Claim against the Municipality regarding interest on outstanding audit fees. The interest is payable but the Municipality will dispute the payment as the audit fees are 4% of the Municipality's budget which is above the norm. Possible obligation to the Municipality .	-	150 383
(vi) SARS: Claim against the Municipality regarding interest on outstanding PAYE accounts. The interest is payable but the Municipality is in the dispute process with SARS to write off the penalties. Possible obligation to the Municipality .	234 696	298 015
<b>Total Contingent Liabilities</b>	<b>699 696</b>	<b>813 398</b>

**42 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**43 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**44 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**45 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2019.

**46 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

**47 GOING CONCERN ASSESSMENT**

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 31 May 2019 Council adopted the 2019/20 to 2021/22 annual final budget. The second adjustments budget for the financial year 2018/19 was tabled to Council on 28 June 2019. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was not cash-backed for 2019/20, 2020/21 and 2021/22.

(ii) The municipality's draft budget of 2019/22 was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators on 20 May 2019. The outcome of the cash back assessment was negative for 2019/20 as well as negative for the two outer years 2020/21 and 2021/22.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a daily basis.

(iv) The municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. The cost containment policy had been adopted by Council on 28 June 2019. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.

(v) The municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

(vi) An operational efficiency plan has been develop by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.

(vii) Business plans have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.

(viii) Alternative sourcing of funding and the attainment of projects by ZFM DM is a high priority to address the shortage of funding that is a legacy challenge of the past.

(ix) Innovative strategic management is deployed to better the financial health of ZFM DM in the long term.

(x) All outstanding creditors up to 30 June 2019 were included in ZFM's 2019/20 cash management report.

(xi) Management has also developed a strategy on how to reduce employee related cost during the 2018/19 financial year and coming years.

(xii) To address above mentioned challenges a financial position improvement plan had been compiled and recommendations in the plan are implemented.

(xiii) Political intervention and strategic direction is given to the municipal administration by the Executive Mayor of ZFM DM to sustain the financial health of the municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on a going concern basis.

**APPENDIX A**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2018	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>										
ITEC	783 000	19.4%	-	30/09/2021	-	783 000	(165 377)	617 623	587 250	-
<b>Total Capital Lease Liabilities</b>	<b>783 000</b>				-	<b>783 000</b>	<b>(165 377)</b>	<b>617 623</b>	<b>587 250</b>	<b>-</b>

**Copier Machine Leases:**

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

**APPENDIX B**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<b>Land:</b>											
Land	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
<b>Other Assets:</b>											
Buildings	2 056 000	-	-	-	2 056 000	(1 192 480)	(82 240)	-	-	(1 274 720)	781 280
<b>Land and Buildings</b>	<b>20 032 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 032 000</b>	<b>(1 192 480)</b>	<b>(82 240)</b>	<b>-</b>	<b>-</b>	<b>(1 274 720)</b>	<b>18 757 280</b>
<b>Computer Equipment</b>											
Computer Hardware	1 843 198	494 268	-	(157 051)	2 180 415	(1 249 649)	(251 906)	-	134 023	(1 367 532)	812 883
<b>Furniture and Office Equipment</b>											
Cabinets And Cupboards	340 042	-	-	(42 636)	297 406	(294 378)	(3 066)	-	33 572	(263 872)	33 534
Chairs	402 632	-	-	(62 535)	340 097	(342 422)	(5 449)	-	48 858	(299 014)	41 083
Furniture	12 164	-	-	-	12 164	(9 206)	(387)	-	-	(9 593)	2 571
Office Machines & Other	304 789	1 477	-	(33 617)	272 650	(258 457)	(8 434)	-	26 424	(240 468)	32 182
Other Furniture	616 341	46 700	-	(108 212)	554 830	(520 035)	(21 071)	-	95 715	(445 391)	109 439
Printer, Fax, Copier	311 770	-	-	(3 168)	308 601	(285 373)	(809)	-	2 910	(283 272)	25 330
Tables And Desks	509 697	-	-	(35 321)	474 376	(440 353)	(6 033)	-	29 799	(416 587)	57 790
<b>Machinery and Equipment</b>											
Fire Fighting Equipment	1 200	-	-	-	1 200	(1 080)	(0)	-	-	(1 080)	120
Medical Equipment	12 600	-	-	(6 300)	6 300	(11 301)	(14)	-	5 662	(5 653)	647
Other Equipment	1 391	-	-	-	1 391	(1 061)	(56)	-	-	(1 117)	274
Radio Equipment	25 409	-	-	(4 916)	20 493	(22 837)	(20)	-	4 418	(18 439)	2 054
Security Equipment	139 852	12 000	-	-	151 852	(116 285)	(2 923)	-	-	(119 208)	32 644
Leased Assets	0	783 000	-	-	783 000	-	(240 120)	-	-	(240 120)	542 880
<b>Transport Assets</b>											
Motor Cars	1 206 730	199 980	-	-	1 406 710	(170 368)	(121 287)	-	-	(291 655)	1 115 055
Tractor	233 700	-	-	-	233 700	(233 700)	-	-	-	(233 700)	0
Trucks And Bakkies	361 700	-	-	-	361 700	(170 927)	(1 925)	-	-	(172 852)	188 848
	<b>6 323 215</b>	<b>1 537 426</b>	<b>-</b>	<b>(453 755)</b>	<b>7 406 885</b>	<b>(4 127 434)</b>	<b>(663 500)</b>	<b>-</b>	<b>381 381</b>	<b>(4 409 552)</b>	<b>2 997 333</b>
<b>Total PPE</b>	<b>26 355 215</b>	<b>1 537 426</b>	<b>-</b>	<b>(453 755)</b>	<b>27 438 885</b>	<b>(5 319 914)</b>	<b>(745 740)</b>	<b>-</b>	<b>381 381</b>	<b>(5 684 272)</b>	<b>21 754 613</b>
<b>Intangible Assets</b>											
Computer Software	575 602	346 275	-	(112 498)	809 379	(414 468)	(88 697)	-	90 947	(412 218)	397 161
<b>Total Intangible Assets</b>	<b>575 602</b>	<b>346 275</b>	<b>-</b>	<b>(112 498)</b>	<b>809 379</b>	<b>(414 468)</b>	<b>(88 697)</b>	<b>-</b>	<b>90 947</b>	<b>(412 218)</b>	<b>397 161</b>
<b>Total Asset Register</b>	<b>26 930 817</b>	<b>1 883 700</b>	<b>-</b>	<b>(566 253)</b>	<b>28 248 264</b>	<b>(5 734 382)</b>	<b>(834 437)</b>	<b>-</b>	<b>472 328</b>	<b>(6 096 490)</b>	<b>22 151 774</b>

**APPENDIX C**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2019**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<b>Executive and Council</b>											
<i>Council Administration</i>	100 797	-	-	(6 016)	94 781	(88 487)	(1 434)	-	5 452	(84 468)	10 313
<i>Council Services</i>	235 838	583 376	-	(14 285)	804 929	(210 058)	(58 191)	-	12 934	(255 315)	549 614
<i>Municipal Manager</i>	256 437	54 839	-	(16 884)	294 393	(221 511)	(16 577)	-	15 186	(222 902)	71 491
<b>Finance and Administration</b>											
<i>Administration</i>	155 129	1 477	-	(16 479)	140 127	(138 810)	(1 208)	-	14 949	(125 070)	15 057
<i>Asset Management Unit</i>	32 781	-	-	-	32 781	(23 719)	(5 606)	-	-	(29 325)	3 456
<i>Budget &amp; Treasury Office</i>	21 516	-	-	-	21 516	(18 120)	(1 362)	-	-	(19 482)	2 034
<i>Communication &amp; Liaison</i>	-	-	-	-	-	-	-	-	-	0	0
<i>Expenditure Unit</i>	231	-	-	-	231	(180)	(6)	-	-	(186)	45
<i>Financial Services</i>	1 733 337	10 608	-	(33 511)	1 710 434	(681 125)	(132 942)	-	30 774	(783 293)	927 141
<i>Human Resources</i>	499 926	-	-	(7 847)	492 078	(294 437)	(2 559)	-	6 859	(290 137)	201 941
<i>Information Technology</i>	1 750 385	1 129 275	-	(123 482)	2 756 178	(1 315 951)	(392 767)	-	116 108	(1 592 611)	1 163 567
<i>Property Services</i>	20 375 682	-	-	(3 733)	20 371 949	(1 470 862)	(94 733)	-	3 173	(1 562 421)	18 809 528
<i>Risk Management</i>	3 832	-	-	-	3 832	(3 189)	(102)	-	-	(3 292)	541
<i>Supply Chain Management</i>	6 809	-	-	-	6 809	(6 018)	(218)	-	-	(6 236)	573
<i>Vehicles</i>	195 600	-	-	-	195 600	(41 100)	(18 780)	-	-	(59 880)	135 720
<b>Health</b>											
<i>Environmental Health</i>	235 326	11 300	-	(137 598)	109 029	(164 504)	(13 634)	-	101 875	(76 263)	32 765
<b>Internal Audit</b>											
<i>Internal Audit</i>	119 002	-	-	-	119 002	(95 442)	(4 013)	-	-	(99 455)	19 547
<b>Other</b>											
<i>Tourism</i>	111 711	-	-	(25 057)	86 655	(97 812)	(927)	-	21 556	(77 183)	9 472
<b>Planning and Development</b>											
<i>Engineering Services</i>	473 541	92 825	-	(85 283)	481 083	(432 534)	(29 151)	-	74 132	(387 553)	93 530
<i>Housing Accreditation</i>	69 406	-	-	(20 288)	49 118	(60 044)	(2 052)	-	18 001	(44 095)	5 023
<i>LED</i>	1 444	-	-	-	1 444	(1 258)	(13)	-	-	(1 271)	173
<i>PIMMS</i>	477 931	-	-	(73 575)	404 356	(304 198)	(57 052)	-	49 326	(311 924)	92 432
<i>Municipal Support Services</i>	64 437	-	-	(2 215)	62 222	(56 863)	(731)	-	2 003	(55 590)	6 632
<b>Public Safety</b>											
<i>Disaster Management</i>	9 718	-	-	-	9 718	(8 160)	(378)	-	-	(8 538)	1 180
<b>Total Asset Register</b>	<b>26 930 817</b>	<b>1 883 700</b>	<b>-</b>	<b>(566 253)</b>	<b>28 248 264</b>	<b>(5 734 382)</b>	<b>(834 437)</b>	<b>-</b>	<b>472 328</b>	<b>(6 096 490)</b>	<b>22 151 774</b>

**APPENDIX D**

**ZF MGCAWU DISTRICT MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

<b>2018 Actual Income</b>	<b>2018 Budgeted Income</b>	<b>2018 Actual Expenditure</b>	<b>2018 Budgeted Expenditure</b>	<b>2018 Surplus/ (Deficit)</b>	<b>Description</b>	<b>2019 Actual Income</b>	<b>2019 Budgeted Income</b>	<b>2019 Actual Expenditure</b>	<b>2019 Budgeted Expenditure</b>	<b>2019 Surplus/ (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
					<b>Municipal Governance and Administration</b>					
95 110	-	12 583 410	13 194 008	(12 488 301)	Executive and Council	188 292	500 000	12 357 962	13 594 200	(12 169 670)
58 767 743	58 049 000	32 836 528	34 758 269	25 931 215	Finance and Administration	68 834 278	68 404 000	31 284 866	40 323 541	37 549 411
553 928	-	2 966 150	2 968 909	(2 412 222)	Internal Audit	813 525	-	3 238 591	3 508 457	(2 425 066)
					<b>Community and Public Safety</b>					
240 654	350 000	2 344 128	2 493 389	(2 103 474)	Public Safety	1 345 229	1 748 050	2 236 759	2 857 971	(891 530)
-	-	-	-	-	Sport and Recreation	-	-	-	-	-
-	-	5 234 881	5 363 274	(5 234 881)	<b>Health</b>	-	-	5 796 449	5 796 646	(5 796 449)
					<b>Economic and Environmental Services</b>					
6 260 045	5 880 960	9 637 910	11 150 723	(3 377 865)	Planning and Development	9 884 057	8 884 057	12 950 576	13 478 188	(3 066 519)
-	-	402 106	422 393	(402 106)	<b>Other</b>	-	-	411 817	438 767	(411 817)
<b>65 917 479</b>	<b>64 279 960</b>	<b>66 005 113</b>	<b>70 350 965</b>	<b>(87 634)</b>	Sub-Total	<b>81 065 381</b>	<b>79 536 107</b>	<b>68 277 021</b>	<b>79 997 770</b>	<b>12 788 360</b>
295 725	-	108 049	112 000	187 676	Gains and Losses	242 529	-	410 703	412 000	(168 174)
<b>66 213 203</b>	<b>64 279 960</b>	<b>66 113 162</b>	<b>70 462 965</b>	<b>100 042</b>	<b>Total</b>	<b>81 307 910</b>	<b>79 536 107</b>	<b>68 687 724</b>	<b>80 409 770</b>	<b>12 620 186</b>

**APPENDIX E(1)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19												2017/18
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
<b>REVENUE - STANDARD</b>	R	R	R	R	R	R		R	R	R	R	R	R
<b>Municipal Governance and Administration</b>													
Finance and Administration	68 154 000	250 000	68 404 000	-	68 404 000	-	68 404 000	68 834 278	-	430 278	100.63	101.00	58 767 743
<b>Community and Public Safety</b>													
Public Safety	1 338 000	410 050	1 748 050	-	1 748 050	-	1 748 050	1 345 229	-	(402 821)	76.96	100.54	240 654
<b>Economic and Environmental Services</b>													
Planning and Development	4 616 000	1 268 057	5 884 057	3 000 000	8 884 057	-	8 884 057	9 884 057	-	1 000 000	111.26	214.13	6 260 045
<b>Total Revenue - Standard</b>	74 108 000	2 428 107	76 536 107	3 000 000	79 536 107	-	79 536 107	81 065 381	-	1 529 274	0.00	109.39	65 917 479
<b>EXPENDITURE - STANDARD</b>													
<b>Municipal Governance and Administration</b>													
Executive and Council	13 925 913	2 013 885	15 939 798	(2 188 598)	13 751 200	(157 000)	13 594 200	12 357 962	-	(1 236 238)	90.91	88.74	12 583 410
Finance and Administration	34 349 733	4 548 262	38 897 995	(2 082 665)	36 815 330	3 868 211	40 683 541	31 566 825	-	(9 116 716)	77.59	91.90	32 836 528
Internal Audit	2 765 818	372 959	3 138 777	370 680	3 509 457	(1 000)	3 508 457	3 238 591	-	(269 867)	92.31	117.09	2 966 150
<b>Community and Public Safety</b>													
Public Safety	2 244 428	564 483	2 808 911	49 060	2 857 971	-	2 857 971	2 236 759	-	(621 212)	78.26	99.66	2 344 128
Health	5 970 672	(52 383)	5 918 289	(142 643)	5 775 646	21 000	5 796 646	5 796 449	-	(197)	100.00	97.08	5 234 881
<b>Economic and Environmental Services</b>													
Planning and Development	10 623 719	800 254	11 423 973	2 177 215	13 601 188	(123 000)	13 478 188	12 950 576	-	(527 612)	96.09	121.90	9 637 910
<b>Other</b>													
	446 413	1 562	447 975	(9 208)	438 767	-	438 767	411 817	-	(26 950)	93.86	92.25	402 106
<b>Total Expenditure - Standard</b>	70 326 696	8 249 022	78 575 718	(1 826 159)	76 749 559	3 608 211	80 357 770	68 558 979	-	(11 798 791)	1 900.08	97.49	66 005 113
<b>Gains and Losses</b>	(500 000)						52 000	(113 784)	-	(165 784)	0.00	0.00	(187 676)
<b>Surplus/(Deficit) for the year</b>	4 281 304	(5 820 915)	(2 039 611)	4 826 159	2 786 548	(3 608 211)	(873 663)	12 620 186	-	13 328 065	0.00	294.77	100 042

APPENDIX E(2)  
ZF MGCAWU DISTRICT MUNICIPALITY  
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2019

Description	2018/19												2017/18
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorise d Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
<b>REVENUE - STANDARD</b>	R	R	R	R	R	R		R	R	R	R	R	R
Executive & Council	-	500 000	500 000	-	500 000	-	500 000	1 001 817	-	501 817	200.36	0.00	649 037
Council Services	-	500 000	500 000	-	500 000	-	500 000	188 292	-	(311 708)	37.66	0.00	95 110
Internal Audit	-	-	-	-	-	-	-	813 525	-	813 525	0.00	0.00	553 928
Budget and treasury office	67 904 000	-	67 904 000	-	67 904 000	-	67 904 000	68 389 617	-	485 617	100.72	100.72	58 711 437
Budget & Treasury Office	66 904 000	-	66 904 000	-	66 904 000	-	66 904 000	66 914 282	-	10 282	100.02	100.02	56 844 819
Financial Services	1 000 000	-	1 000 000	-	1 000 000	-	1 000 000	1 475 335	-	475 335	147.53	147.53	1 866 618
Corporate services	250 000	250 000	500 000	-	500 000	-	500 000	444 660	-	(55 340)	88.93	177.86	56 307
Human Resources	250 000	250 000	500 000	-	500 000	-	500 000	444 660	-	(55 340)	88.93	177.86	56 307
Planning & Development	5 954 000	1 678 107	7 632 107	3 000 000	10 632 107	-	10 632 107	11 229 286	-	597 179	105.62	188.60	6 500 698
Disaster Mangement	1 338 000	410 050	1 748 050	-	1 748 050	-	1 748 050	1 345 229	-	(402 821)	76.96	100.54	240 654
Engineering Services	2 866 000	1 268 057	4 134 057	4 000 000	8 134 057	-	8 134 057	8 134 057	-	0	100.00	283.81	4 718 264
Housing Accreditation	1 750 000	-	1 750 000	(1 000 000)	750 000	-	750 000	1 750 000	-	1 000 000	233.33	100.00	1 541 780
<b>Total Revenue - Standard</b>	74 108 000	2 428 107	76 536 107	3 000 000	79 536 107	-	79 536 107	81 065 381	-	3 058 547	0.00	109.39	65 917 479



**APPENDIX E(2)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19												2017/18
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorise d Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
<b>EXPENDITURE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Executive & Council	16 055 952	2 278 954	18 334 906	(2 254 392)	16 080 514	(158 000)	15 922 514	14 433 274	-	(1 489 240)	90.65	89.89	14 562 048
Council Administration	3 009 373	1 160 915	4 170 288	(552 715)	3 617 573	-	3 617 573	3 604 375	-	(13 198)	99.64	119.77	2 997 530
Council Services	6 167 389	943 375	7 110 764	(443 459)	6 667 305	(157 000)	6 510 305	5 612 321	-	(897 984)	86.21	91.00	5 645 959
Internal Audit	3 033 787	631 870	3 665 657	(55 850)	3 609 807	(1 000)	3 608 807	3 247 997	-	(360 810)	90.00	107.06	2 966 150
Municipal Manager	2 921 029	(448 200)	2 472 829	(780 170)	1 692 659	-	1 692 659	1 468 970	-	(223 689)	86.78	50.29	2 493 668
Risk Management	924 374	(9 006)	915 368	(422 198)	493 170	-	493 170	499 611	-	6 441	101.31	54.05	458 742
Budget and treasury office	13 538 850	1 324 887	14 863 737	(575 570)	14 288 167	4 073 211	18 361 378	9 692 084	-	(8 669 294)	52.79	71.59	15 414 309
Asset Management Unit	2 310 916	780 423	3 091 339	(477 239)	2 614 100	180 000	2 794 100	2 606 491	-	(187 609)	93.29	112.79	2 158 297
Budget & Treasury Office	1 717 316	347 354	2 064 670	(28 898)	2 035 772	-	2 035 772	2 005 597	-	(30 176)	98.52	116.79	1 941 835
Expenditure Unit	3 351 531	288 807	3 640 338	64 730	3 705 068	-	3 705 068	4 011 990	-	306 922	108.28	119.71	3 741 932
Financial Services	4 606 943	(79 737)	4 527 206	(147 291)	4 379 915	3 908 211	8 288 126	(468 407)	-	(8 756 533)	0.00	0.00	6 004 402
Supply Chain Management	1 552 144	(11 960)	1 540 184	13 128	1 553 312	(15 000)	1 538 312	1 536 414	-	(1 898)	99.88	98.99	1 485 603
Vehicles	-	-	-	-	-	-	-	-	-	-	0.00	0.00	82 240
Corporate services	17 784 133	3 180 631	20 964 764	(676 982)	20 287 782	(205 000)	20 082 782	19 639 759	-	(443 023)	97.79	110.43	15 313 166
Administration	5 237 905	531 608	5 769 513	(133 614)	5 635 899	-	5 635 899	5 107 629	-	(528 270)	90.63	97.51	5 147 825
Human Resources	4 893 665	783 200	5 676 865	332 541	6 009 406	-	6 009 406	7 102 668	-	1 093 262	118.19	145.14	3 688 516
Information Technology	3 829 816	890 815	4 720 631	(18 945)	4 701 686	(205 000)	4 496 686	3 630 472	-	(866 214)	80.74	94.79	3 385 825
Property Services	1 327 154	429 346	1 756 500	18 500	1 775 000	-	1 775 000	1 660 066	-	(114 934)	93.52	125.08	1 209 333
Security Services	2 495 593	545 662	3 041 255	(875 464)	2 165 791	-	2 165 791	2 138 924	-	(26 867)	98.76	85.71	1 881 667
Planning & Development	22 947 761	1 464 550	24 412 311	1 680 785	26 093 096	(102 000)	25 991 096	24 793 863	-	(1 197 233)	95.39	108.04	20 715 590
Communication & Liaison	2 102 376	51 750	2 154 126	(407 915)	1 746 211	-	1 746 211	1 735 371	-	(10 840)	99.38	82.54	1 650 311
Disaster Mangement	2 244 428	564 483	2 808 911	49 060	2 857 971	-	2 857 971	2 236 759	-	(621 212)	78.26	99.66	2 344 128
Engineering Services	5 259 364	1 498 541	6 757 905	1 861 268	8 619 173	(123 000)	8 496 173	8 728 782	-	232 609	102.74	165.97	5 389 268
Environmental Health	5 970 672	(52 383)	5 918 289	(142 643)	5 775 646	21 000	5 796 646	5 796 449	-	(197)	100.00	97.08	5 234 881
Housing Accreditation	2 575 892	30 574	2 606 466	54 014	2 660 480	-	2 660 480	1 974 735	-	(685 745)	74.22	76.66	1 437 867
LED	1 897 193	(726 573)	1 170 620	224 254	1 394 874	-	1 394 874	1 373 371	-	(21 503)	98.46	72.39	1 538 283
PIMMS	891 270	(2 288)	888 982	37 679	926 661	-	926 661	873 688	-	(52 973)	94.28	98.03	1 272 492
PMS	1 560 153	98 884	1 659 037	14 276	1 673 313	-	1 673 313	1 662 890	-	(10 423)	99.38	106.59	1 446 254
Tourism	446 413	1 562	447 975	(9 208)	438 767	-	438 767	411 817	-	(26 950)	93.86	92.25	402 106
<b>Total Expenditure - Standard</b>	<b>70 326 696</b>	<b>8 249 022</b>	<b>78 575 718</b>	<b>(1 826 159)</b>	<b>76 749 559</b>	<b>3 608 211</b>	<b>80 357 770</b>	<b>68 558 979</b>	<b>-</b>	<b>(23 597 582)</b>	<b>1 900.08</b>	<b>97.49</b>	<b>66 005 113</b>
<b>Gains and Losses</b>	<b>(500 000)</b>	<b>500 000</b>				<b>52 000</b>	<b>52 000</b>	<b>(113 784)</b>	<b>-</b>	<b>(165 784)</b>	<b>0.00</b>	<b>0.00</b>	<b>(187 676)</b>
<b>Surplus/(Deficit) for the year</b>	<b>4 281 304</b>	<b>(6 320 915)</b>	<b>(2 039 611)</b>	<b>4 826 159</b>	<b>2 786 548</b>	<b>(3 660 211)</b>	<b>(873 663)</b>	<b>12 620 186</b>	<b>-</b>	<b>26 821 914</b>	<b>(1 900.08)</b>	<b>11.90</b>	<b>100 042</b>

**APPENDIX E (3)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19												2017/18
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
<b>Revenue from Non-exchange Transactions</b>	R	R	R	R	R	R		R	R	R	R	R	R
Transfers and Subsidies	73 048 000	2 178 107	75 226 107	3 000 000	78 226 107	-	78 226 107	79 797 677	-	1 571 570	102.01	109.24	64 786 497
Impairment Gains	-	-	-	-	-	-	-	242 529	-	242 529	0.00	0.00	295 545
<b>Revenue from Exchange Transactions</b>													
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	6 928	-	(3 072)	69.28	69.28	7 119
Interest and Rent on Land Earned	800 000	-	800 000	-	800 000	-	800 000	669 634	-	(130 366)	83.70	83.70	607 988
Operational Revenue	250 000	250 000	500 000	-	500 000	-	500 000	591 142	-	91 142	118.23	236.46	515 874
Gains on Disposal of Capital Assets	500 000	(500 000)	-	-	-	-	-	-	-	-	0.00	0.00	180
<b>Total Revenue (excluding Capital Transfers &amp; Grants)</b>	<b>74 608 000</b>	<b>1 928 107</b>	<b>76 536 107</b>	<b>3 000 000</b>	<b>79 536 107</b>	<b>-</b>	<b>79 536 107</b>	<b>81 307 910</b>	<b>-</b>	<b>1 771 803</b>	<b>0.00</b>	<b>108.98</b>	<b>66 213 203</b>
<b>EXPENDITURE</b>													
Employee Related Costs	50 697 683	3 043 250	53 740 933	7 844	53 748 777	5 000	53 753 777	44 657 964	-	(9 095 813)	83.08	88.09	46 823 972
Remuneration of Councillors	4 124 145	-	4 124 145	(438 871)	3 685 274	-	3 685 274	3 676 528	-	(8 746)	99.76	89.15	3 728 041
Depreciation and Amortisation	506 530	126 210	632 740	-	632 740	260 000	892 740	834 437	-	(58 303)	93.47	164.74	632 550
Impairment Losses	50 000	-	50 000	-	50 000	312 000	362 000	361 792	-	(208)	99.94	723.58	91 289
Interest and Rent on Land	-	-	-	-	-	91 000	91 000	90 858	-	(142)	99.84	0.00	-
Contracted Services	2 611 352	2 068 699	4 680 051	1 619 540	6 299 591	-	6 299 591	6 268 813	-	(30 778)	99.51	240.06	4 112 288
Inventory Consumed	305 800	-	305 800	198 150	503 950	(30 000)	473 950	293 339	-	(180 611)	61.89	95.92	274 715
Transfers and Subsidies Paid	115 000	125 000	240 000	270 500	510 500	333 000	843 500	830 046	-	(13 454)	98.40	721.78	131 545
Operating Leases	1 095 000	401 500	1 496 500	(91 500)	1 405 000	-	1 405 000	828 093	-	(576 907)	58.94	75.62	577 575
Operational Costs	10 821 186	2 484 363	13 305 549	268 389	13 573 938	(1 021 000)	12 552 938	10 796 943	-	(1 755 995)	86.01	99.78	9 724 429
Loss on Disposal of Capital Assets	-	-	-	-	-	50 000	50 000	48 911	-	(1 089)	97.82	0.00	16 759
<b>Total Expenditure</b>	<b>70 326 696</b>	<b>8 249 022</b>	<b>78 575 718</b>	<b>1 834 052</b>	<b>80 409 770</b>	<b>-</b>	<b>80 409 770</b>	<b>68 687 724</b>	<b>-</b>	<b>(11 722 046)</b>	<b>0.00</b>	<b>97.67</b>	<b>66 113 162</b>
<b>Surplus/(Deficit) for the Year</b>	<b>4 281 304</b>	<b>-</b>	<b>(2 039 611)</b>	<b>-</b>	<b>(873 663)</b>	<b>-</b>	<b>(873 663)</b>	<b>12 620 186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294.77</b>	<b>100 042</b>

**APPENDIX E(4)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19											2017/18
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R				R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property Rates	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Transfers and Subsidies	73 048 000	500 000	73 548 000	(1 346 576)	72 201 424	-	72 201 424	75 776 574	3 575 150	104.95	103.74	62 646 618
Service Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Rental from Fixed Assets	-	-	-	-	-	-	-	6 928	6 928	0.00	0.00	7 119
External Interest and Dividends Received	800 000	(150 000)	650 000	16 871	666 871	-	666 871	669 634	2 763	100.41	83.70	607 988
Other Receipts	260 000	360 462	620 462	1 137 792	1 758 254	-	1 758 254	653 375	(1 104 879)	37.16	251.30	742 938
<b>Payments</b>												
Employee Related Costs	(69 770 166)	8 849 036	(60 921 130)	(11 536 092)	(72 457 222)	-	(72 457 222)	(49 929 313)	22 527 909	0.00	0.00	(46 493 710)
Remuneration of Councillors	-	-	-	-	-	-	-	(3 676 528)	(3 676 528)	0.00	0.00	(3 728 041)
External Interest and Dividends Paid	-	-	-	-	-	-	-	(90 858)	(90 858)	0.00	0.00	-
Suppliers Paid	-	-	-	(192 500)	(192 500)	-	(192 500)	(9 936 200)	(9 743 700)	0.00	0.00	(3 608 350)
Other Payments	-	-	-	-	-	-	-	(11 602 378)	(11 602 378)	0.00	0.00	(9 910 178)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	4 337 834	9 559 498	13 897 332	(11 920 505)	1 976 827	-	1 976 827	1 871 233	(105 594)	0.00	45.57	264 384
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Purchase of Property, Plant and Equipment	(2 904 600)	1 284 000	(1 620 600)	(334 014)	(1 954 614)	(700 000)	(2 654 614)	(1 537 426)	1 117 188	0.00	0.00	(78 725)
Purchase of Intangible Assets	-	-	-	-	-	-	-	(346 275)	(346 275)	0.00	0.00	-
Proceeds on Disposal of Property, Plant and Equipment	500 000	-	500 000	(500 000)	-	-	-	45 014	45 014	0.00	9.00	24 640
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	(10 332)	(10 332)	0.00	0.00	137 627
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(2 404 600)	1 284 000	(1 120 600)	(834 014)	(1 954 614)	(700 000)	(2 654 614)	(1 849 018)	805 596	0.00	0.00	83 541
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
Proceeds from Borrowings	-	-	-	783 000	783 000	-	783 000	783 000	-	100.00	0.00	-
Repayment of Borrowings	-	-	-	(165 377)	(165 377)	-	(165 377)	(165 377)	(0)	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	-	-	-	617 623	617 623	-	617 623	617 623	(0)	100.00	0.00	-
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	(1 933 234)	(10 843 498)	(12 776 732)	12 136 896	(639 836)	700 000	60 164	(639 838)	(700 002)	0.00	0.00	(347 925)
Cash / Cash Equivalents at the Year begin:	288 868	(12 420 600)	(12 131 732)	12 768 525	636 793	-	636 793	636 793	0	100.00	220.44	288 868
Cash / Cash Equivalents at the Year end:	2 222 102	(1 577 102)	645 000	631 629	1 276 629	(700 000)	576 629	1 276 631	700 002	221.40	57.45	636 793

**APPENDIX F**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Monetary Allocations:																
Financial Management Grant	National Treasury	1 000 000	-	-	-	203 365	299 502	32 277	464 855	-	-	-	-	N/A	Yes	N/A
Rural Roads Asset Manage Systems Grant	National Treasury	2 006 000	-	860 000	-	106 760	475 732	483 476	1 800 032	-	-	-	-	Non-spending	Yes	N/A
EPWP Incentive Grant	National Treasury	-	-	-	-	-	-	543	260 715	-	-	-	-	Non-spending	Yes	N/A
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	-	-	6 411	4 192	5 068	230 766	-	-	-	-	N/A	Yes	N/A
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	-	-	-	-	-	148 792	-	-	-	-	N/A	Yes	N/A
Housing Accreditation DPLG National	COGHSTA - Provincial	-	750 000	-	-	25 104	25 167	42 049	657 680	-	-	-	-	N/A	Yes	N/A
Kgotso Pula Nala	COGHSTA - Provincial	-	-	-	-	543	248 984	320 148	437 125	-	-	-	-	N/A	Yes	N/A
In-kind Allocations:		-	-	-	-											
Aids Health	Department of Health Provincial	-	500 000	-	-	-	-	-	94 292	-	-	-	-	N/A	Yes	N/A
SPLUM	COGHSTA - Provincial	-	-	-	-	-	-	-	1 000 000	-	-	-	-	N/A	Yes	N/A
Disaster Management	COGHSTA - Provincial	-	-	-	-	-	-	-	950 000	-	-	-	-	N/A	Yes	N/A
Internal Audit Grant	COGHSTA - Provincial	-	-	-	-	-	-	-	813 525	-	-	-	-	N/A	Yes	N/A
Kgotso Pula Nala	Roads & Public Works Provincial	-	-	-	4 000 000	-	-	-	4 000 000	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		3 006 000	1 250 000	860 000	4 000 000	342 183	1 053 578	883 561	10 857 781	-	-	-	-			
(*) Did your District Municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2019

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>Mayor</b>	R	R	R	R	R	R	R	R	R	R	R	R
A. Vosloo	530 309	-	-	-	-	176 770	-	-	-	-	-	707 079
JJJ Olyn	54 013	-	-	-	-	18 004	-	-	-	-	-	72 017
<b>Speaker</b>												
M. Moalosi	487 099	-	-	-	-	162 366	-	-	-	-	-	649 465
<b>Executive Committee</b>												
GH MOTHIBI	89 982	-	-	-	-	29 994	15 755	-	-	-	-	135 731
JJ OLYN	233 529	-	-	-	-	77 843	40 939	-	-	-	-	352 311
J LODEWYK	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
A DE BRUIN	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
FL WITBOOI	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
MHB Van Zyl	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
PM MGCERA	150 025	-	-	-	-	50 008	26 147	-	-	-	-	226 180
<b>Other Councillors</b>												
M MASHILALA	52 655	-	-	-	-	16 519	-	-	-	-	-	69 174
M BOSMAN	54 689	-	-	-	-	18 230	-	-	-	-	-	72 919
S DUBENI	47 210	-	-	-	-	15 737	-	-	-	-	-	62 947
R LOSPER	9 490	-	-	-	-	2 496	-	-	-	-	-	11 986
AR DAVIDS	11 242	-	-	-	-	3 747	-	-	-	-	-	14 989
B BOCK	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
M BASSON	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
WD KLIM	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
S ESAU	5 403	-	-	-	7 204	-	-	-	-	-	-	12 607
<b>Other Councillors (Sitting)</b>												
B BOSMAN	-	-	-	-	11 444	-	-	-	-	-	-	11 444
J ASSEGAAI	-	-	-	-	12 406	-	-	-	-	-	-	12 406
PSJ ISAACS	-	-	-	-	6 242	-	-	-	-	-	-	6 242
H ROSS	-	-	-	-	2 081	-	-	-	-	-	-	2 081
N PRINCE	-	-	-	-	2 637	-	-	-	-	-	-	2 637
<b>Total for Councillors</b>	<b>2 533 180</b>	-	-	-	<b>42 015</b>	<b>840 893</b>	<b>260 440</b>	-	-	-	-	<b>3 676 528</b>

30 June 2019

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>Acting Municipal Manager</b>												
G. Lategan	-	-	-	22 266	-	-	-	-	-	79 678	-	101 945
RL Mjethu	-	-	-	39 594	-	-	-	-	-	-	-	39 594
A. K Tieties	-	-	-	23 049	-	-	-	-	-	77 704	-	100 753
	-	-	-	84 909	-	-	-	-	-	157 382	-	242 292
<b>Director: Financial Services</b>												
P. Beukes	498 130	80 726	84 359	124 904	-	363 047	-	15 600	50 263	-	-	1 217 030
	498 130	80 726	84 359	124 904	-	363 047	-	15 600	50 263	-	-	1 217 030
<b>Director: Planning &amp; Development</b>												
J.G Lategan	649 062	-	54 089	32 453	-	433 790	-	-	-	-	-	1 169 393
A.K Tieties	-	-	-	64 481	-	-	-	-	-	-	-	64 481
	649 062	-	54 089	96 934	-	433 790	-	-	-	-	-	1 233 875
<b>Director: Corporate Services</b>												
D. Van Zyl	548 153	-	-	129 812	-	423 902	-	15 600	149 286	-	-	1 266 753
	548 153	-	-	129 812	-	423 902	-	15 600	149 286	-	-	1 266 753
<b>Total for Senior Managers</b>	<b>1 695 344</b>	<b>80 726</b>	<b>138 448</b>	<b>436 560</b>	<b>-</b>	<b>1 220 739</b>	<b>-</b>	<b>31 200</b>	<b>199 548</b>	<b>157 382</b>	<b>-</b>	<b>3 959 949</b>
<b>Total for Management</b>	<b>4 228 524</b>	<b>80 726</b>	<b>138 448</b>	<b>436 560</b>	<b>42 015</b>	<b>2 061 632</b>	<b>260 440</b>	<b>31 200</b>	<b>199 548</b>	<b>157 382</b>	<b>-</b>	<b>7 636 477</b>

30 June 2018

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>Mayor</b>	R	R	R	R	R	R	R	R	R	R	R	R
A. Vosloo	596 935	-	-	-	-	198 978	-	-	-	-	-	795 913
<b>Speaker</b>												
M. Moalosi	479 443	-	-	-	-	159 814	-	-	-	-	-	639 258
<b>Executive Committee</b>												
GH MOTHIBI	249 763	-	-	-	-	83 255	44 400	-	-	-	-	377 418
JJ OLYN	249 763	-	-	-	-	83 255	44 400	-	-	-	-	377 418
J LODEWYK	188 908	-	-	-	-	62 969	44 400	-	-	-	-	296 277
A DE BRUIN	188 908	-	-	-	-	62 969	44 400	-	-	-	-	296 277
FL WITBOOI	188 908	-	-	-	-	62 969	44 400	-	-	-	-	296 277
MHB Van Zyl	188 908	-	-	-	-	62 969	44 400	-	-	-	-	296 277
<b>Other Councillors</b>												
M MASHILALA	72 879	-	-	-	-	24 291	-	-	-	-	-	97 170
M BOSMAN	53 617	-	-	-	-	17 872	-	-	-	-	-	71 489
S DUBENI	27 463	-	-	-	9 620	9 000	-	-	-	-	-	46 083
M MABILO	12 023	-	-	-	-	4 008	-	-	-	-	-	16 031
B BOCK	12 023	-	-	-	-	4 008	-	-	-	-	-	16 031
M BASSON	12 023	-	-	-	-	4 008	-	-	-	-	-	16 031
WD KLIM	12 023	-	-	-	-	4 008	-	-	-	-	-	16 031
S ESAU	12 023	-	-	-	1 924	4 008	-	-	-	-	-	17 955
AS ADAMS	10 141	-	-	-	-	3 380	-	-	-	-	-	13 521
B BOSMAN	-	-	-	-	12 796	-	-	-	-	-	-	12 796
J ASSEGAAI	-	-	-	-	15 856	-	-	-	-	-	-	15 856
PSJ ISAACS	-	-	-	-	10 872	-	-	-	-	-	-	10 872
J MEI	-	-	-	-	3 060	-	-	-	-	-	-	3 060
<b>Total for Councillors</b>	<b>2 555 752</b>	-	-	-	<b>54 128</b>	<b>851 761</b>	<b>266 400</b>	-	-	-	-	<b>3 728 041</b>

30 June 2018

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>Acting Municipal Manager</b>												
R. L Mjethu	266 206	-	-	-	-	59 945	3 430	-	76 578	134 185	-	540 345
G. Lategan	-	-	-	-	-	-	-	-	-	14 606	-	14 606
A. K Tieties	-	-	-	-	-	-	-	-	-	116 556	-	116 556
E Ntoba	-	-	-	231 781	-	-	-	-	-	-	-	231 781
	266 206	-	-	231 781	-	59 945	3 430	-	76 578	265 348	-	903 288
<b>Director: Financial Services</b>												
P. Beukes	531 729	80 726	-	118 570	-	366 361	-	15 600	46 452	-	-	1 159 438
<b>Acting Director: Planning &amp; Development</b>												
J.G Lategan	270 443	-	-	-	-	171 280	-	-	-	-	-	441 724
A.K Tieties	-	-	-	40 577	-	-	-	-	-	201 687	-	242 264
	270 443	-	-	40 577	-	171 280	-	-	-	201 687	-	683 987
<b>Director: Corporate Services</b>												
D. Van Zyl	496 728	-	-	124 546	-	433 579	-	15 600	135 863	-	-	1 206 316
<b>Total for Senior Managers</b>	1 565 107	80 726	-	515 473	-	1 031 165	3 430	31 200	258 893	467 034	-	3 953 029
<b>Total for Management</b>	4 120 859	80 726	-	515 473	54 128	1 882 926	269 830	31 200	258 893	467 034	-	7 681 070



**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2019**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2019	2018		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		2.67%	0.12%	Refer to Page 2 of MFMA Circular No 71	District Municipalities have no capital projects as infrastructure is maintain by Local Municipalities.
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
					Total Capital Expenditure	1 883 700	78 725		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	No Impairment of PPE during the 2018/19 financial year.
					PPE, Investment Property & Intangible Impairment	-	-		
					PPE at Carrying Value	21 754 613	21 035 301		
					IP at Carrying Value	-	-		
					Intangible Assets at Carrying Value	397 161	161 134		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		4.48%	1.33%	Refer to Page 4 of MFMA Circular No 71	The majority of ZFM's PPE value is Land which has no maintenance on it.
					Total Repairs and Maintenance Expenditure	975 693	279 205		
					PPE at Carrying Value	21 754 613	21 035 301		
					Investment Property at Carrying Value	-	-		
B. Debtors Management									
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		-202.84%	251.13%	Refer to Page 5 of MFMA Circular No 71	During 2017/18 ZFM recovered R221 083 from Local Municipalities. During 2018/19 ZFM had challenges to recover medical aid contributions from members.
					Gross Debtors Closing Balance	765 031	723 539		
					Gross Debtors Opening Balance	723 539	1 364 149		
					Bad Debts Written-off	281 958	-		
					Billed Revenue	106 807	423 887		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		62.02%	0.00%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all debtors older than 2 years which could not be recovered.
					Debtors Bad Debts Written-off	281 958	-		
					Debtors Current Bad Debt Provision	454 648	469 912		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2019**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2019	2018		
3.	Net Debtors Days	(((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		1 061 Days	218 Days	Refer to Page 6 of MFMA Circular No 71	During 2018/19 ZFM had challenges to recover medical aid contributions from members.
					Gross Debtors	765 031	723 539		
					Bad Debts Provision	454 648	469 912		
					Billed Revenue	106 807	423 887		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	(((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0 Months	-1 Months	Refer to Page 7 of MFMA Circular No 71	ZFM experienced cash flow problems. Refer to Note 47, Management's Going Concern Assessment for more detail.
					Cash and Cash Equivalents	1 276 631	636 793		
					Unspent Conditional Grants	462 289	4 483 392		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	67 442 584	65 372 563		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.13	0.07	Refer to Page 7 of MFMA Circular No 71	ZFM experienced cash flow problems. Refer to Note 47, Management's Going Concern Assessment for more detail.
					Current Assets	1 830 703	1 352 214		
					Current Liabilities	14 288 377	20 749 450		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		0.37%	0.00%	Refer to Page 8 of MFMA Circular No 71	ZFM leased copier machines during 2018/19 financial year.
					Interest Paid	90 858	-		
					Redemption	165 377	-		
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		43.92%	0.00%	Refer to Page 9 of MFMA Circular No 71	ZFM leased copier machines during 2018/19 financial year.
					Total Debt	663 292	-		
					Total Operating Revenue	81 307 910	66 213 203		
					Operational Conditional Grants	79 797 677	64 786 497		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2019**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2019	2018		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		4.00%	-11.67%	Refer to Page 9 of MFMA Circular No 71	The level of Cash Backed of Unspent Grants has improved but will be addressed by Management's Going Concern Assessment, refer to Note 47.
					Cash and Cash Equivalents	1 276 631	636 793		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	-	-		
					Unspent Grants	462 289	4 483 392		
					Net Assets	-	-		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
					Accumulated Surplus	(20 355 090)	(32 975 276)		
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	((Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue) x 100	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		15.52%	0.15%	Refer to Page 10 of MFMA Circular No 71	The Net Operating Surplus Margin has improved due to the implementation of cost containment controls.
					Total Operating Revenue	81 307 910	66 213 203		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
B. Distribution Losses									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								
C. Revenue Management									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2019**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2019	2018		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		36 Days	115 Days	Refer to Page 16 of MFMA Circular No 71	The Creditors Payment Period has improved due to In-Kind Conditional Grants received during the 2018/19 financial year. Refer to Note 15.
					Trade Creditors	2 056 330	4 713 593		
					Contracted Services	6 268 813	4 112 288		
					Inventory Consumed	293 339	274 715		
					Operational Costs	10 796 943	9 724 429		
					Transfers and Subsidies Paid	830 046	131 545		
					Operating Leases	828 093	577 575		
Capital Credit Purchases	1 883 700	78 725							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0.27%	1.06%	Refer to Page 16 of MFMA Circular No 71	Refer to Note 34 for detailed explanations.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	182 201	697 564		
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		70.37%	76.46%	Refer to Page 17 of MFMA Circular No 71	Remuneration as a % has decreased due to vacant positions not filled but the high remuneration % will be addressed by Management's Going Concern Assessment. Refer to Note 47.
					Employee / Personnel Related Cost	44 657 964	46 823 972		
					Councillors Remuneration	3 676 528	3 728 041		
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		9.13%	6.22%	Refer to Page 17 of MFMA Circular No 71	Contracted services are affected by grant spending, refer to Note 24 for more detail.
					Contracted Services	6 268 813	4 112 288		
					Total Operating Expenditure	68 687 724	66 113 162		
					Taxation Expense	-	-		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		73.77%	100.00%	Refer to Page 18 of MFMA Circular No 71	Capital Expenditures were not grant dependant.
					Internally Generated Funds	606 575	78 725		
					Borrowings	783 000	-		
					Total Capital Expenditure	1 883 700	78 725		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2019**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2019	2018		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		32.20%	100.00%	Refer to Page 18 of MFMA Circular No 71	During 2018/19 some Capital Expenditures were funded through Finance Leases.
					Internally Generated Funds	606 575	78 725		
					Total Capital Expenditure	1 883 700	78 725		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		1.86%	2.15%	Refer to Page 18 of MFMA Circular No 71	ZFM has limited own sources of revenue as all the functions were transferred to Local Municipalities.
					Total Revenue	81 307 910	66 213 203		
					Government Grant and Subsidies	79 797 677	64 786 497		
					Public Contributions and Donations	-	-		
					Capital Grants	-	-		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		91.81%	23.15%	Refer to Page 19 of MFMA Circular No 71	Cost containment measures were implemented during 2018/19 without influencing service delivery.
					Actual Capital Expenditure	1 883 700	78 725		
					Budgeted Capital Expenditure	2 051 770	340 000		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		85.42%	93.83%	Refer to Page 20 of MFMA Circular No 71	Cost containment measures were implemented during 2018/19 without influencing service delivery.
					Actual Operating Expenditure	68 687 724	66 113 162		
					Budgeted Operating Expenditure	80 409 770	70 462 965		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		102.23%	103.01%	Refer to Page 20 of MFMA Circular No 71	ZFM didi not budget for LGSETA Funding. ZFM also did not budget for 2017/18 Unspent Grants as Grant Revenue during 2018/19.
					Actual Operating Revenue	81 307 910	66 213 203		
					Budgeted Operating Revenue	79 536 107	64 279 960		
Interpretation of Results:									
The green colour indicates that the result is within the norm and is acceptable.									
The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									

**APPENDIX I**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE**

30 June 2019

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
<b>REVENUE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Transfers and Subsidies	188 292	67 566 574	813 525	1 345 229	-	9 884 057	-	79 797 677
Impairment Gains		242 529						242 529
<b>Revenue from Exchange Transactions</b>								
Rental from Fixed Assets	-	6 928	-	-	-	-	-	6 928
Interest and Rent on Land Earned	-	669 634	-	-	-	-	-	669 634
Operational Revenue	-	591 142	-	-	-	-	-	591 142
<b>Total Revenue</b>	<b>188 292</b>	<b>69 076 807</b>	<b>813 525</b>	<b>1 345 229</b>	<b>-</b>	<b>9 884 057</b>	<b>-</b>	<b>81 307 910</b>
<b>EXPENDITURE</b>								
Employee Related Costs	5 418 898	21 429 919	2 867 449	2 176 522	5 618 693	6 859 784	286 700	44 657 964
Remuneration of Councillors	3 676 528	-	-	-	-	-	-	3 676 528
Depreciation and Amortisation	-	834 437	-	-	-	-	-	834 437
Impairment Losses	-	361 792	-	-	-	-	-	361 792
Interest and Rent on Land	-	90 858	-	-	-	-	-	90 858
Contracted Services	146 156	1 433 037	147 352	(0)	-	4 542 269	-	6 268 813
Inventory Consumed	6 399	182 542	-	4 437	254	83 055	16 650	293 339
Transfers and Subsidies Paid	413 060	77 636	-	-	-	339 350	-	830 046
Operating Leases	-	828 093	-	-	-	-	-	828 093
Operational Costs	2 696 920	6 408 345	223 790	55 800	177 503	1 126 118	108 467	10 796 943
Loss on Disposal of Capital Assets	-	48 911	-	-	-	-	-	48 911
<b>Total Expenditure</b>	<b>12 357 962</b>	<b>31 695 570</b>	<b>3 238 591</b>	<b>2 236 759</b>	<b>5 796 449</b>	<b>12 950 576</b>	<b>411 817</b>	<b>68 687 724</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(12 169 670)</b>	<b>37 381 237</b>	<b>(2 425 066)</b>	<b>(891 530)</b>	<b>(5 796 449)</b>	<b>(3 066 519)</b>	<b>(411 816.93)</b>	<b>12 620 186</b>

**APPENDIX I**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)**

30 June 2018

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
<b>REVENUE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Transfers and Subsidies	95 110	57 636 762	553 928	240 654	-	6 260 045	-	64 786 497
Impairment Gains	-	295 545	-	-	-	-	-	295 545
<b>Revenue from Exchange Transactions</b>								
Rental from Fixed Assets	-	7 119	-	-	-	-	-	7 119
Interest and Rent on Land Earned	-	607 988	-	-	-	-	-	607 988
Operational Revenue	-	515 874	-	-	-	-	-	515 874
Gains on Disposal of Capital Assets	-	180	-	-	-	-	-	180
<b>Total Revenue</b>	<b>95 110</b>	<b>59 063 468</b>	<b>553 928</b>	<b>240 654</b>	<b>-</b>	<b>6 260 045</b>	<b>-</b>	<b>66 213 203</b>
<b>EXPENDITURE</b>								
Employee Related Costs	5 752 722	24 509 417	2 421 086	2 124 347	5 094 214	6 646 512	275 674	46 823 972
Remuneration of Councillors	3 728 041	-	-	-	-	-	-	3 728 041
Depreciation and Amortisation	-	632 550	-	-	-	-	-	632 550
Impairment Losses	-	91 289	-	-	-	-	-	91 289
Interest and Rent on Land	-	-	-	-	-	-	-	-
Contracted Services	24 906	1 236 350	348 457	83 081	-	2 419 493	-	4 112 288
Inventory Consumed	4 649	110 939	2 140	96 187	122	60 465	213	274 715
Transfers and Subsidies Paid	96 345	-	-	-	-	35 199	-	131 545
Operating Leases	-	577 575	-	-	-	-	-	577 575
Operational Costs	2 976 747	5 769 697	194 467	40 513	140 545	476 240	126 219	9 724 429
Loss on Disposal of Capital Assets	-	16 759	-	-	-	-	-	16 759
<b>Total Expenditure</b>	<b>12 583 410</b>	<b>32 944 577</b>	<b>2 966 150</b>	<b>2 344 128</b>	<b>5 234 881</b>	<b>9 637 910</b>	<b>402 106</b>	<b>66 113 162</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(12 488 301)</b>	<b>26 118 891</b>	<b>(2 412 222)</b>	<b>(2 103 474)</b>	<b>(5 234 881)</b>	<b>(3 377 865)</b>	<b>(402 106)</b>	<b>100 042</b>